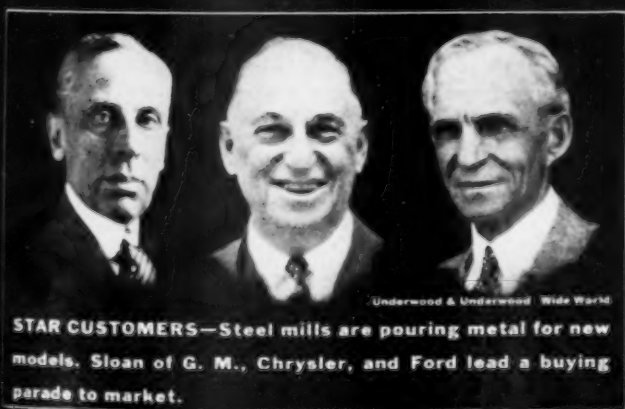


AUG. 24
1935

BUSINESS WEEK

BUSINESS
INDICATOR



Underwood & Underwood Wide World
STAR CUSTOMERS—Steel mills are pouring metal for new models. Sloan of G. M., Chrysler, and Ford lead a buying parade to market.

McGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
AND ARBOR MICH

"In Conference"



WITH THE WORLD'S BUSIEST SALESMAN

YES, this is what your average executive looks like when he's in a buying mood. And you needn't take *our* word for it . . . Careful studies have shown that about seven out of every ten executives rely on business-paper advertising to keep informed on equipment improvements and developments.

Each week or each month, they shop the pages of their business papers. They digest the sales stories of the various vendors represented therein. Whether they're in the market or not, they form impressions that help decide the sale when they *do* go out to buy.

If your company isn't represented in those pages, you're missing many a valuable sales opportunity. You're depriving your sales force of the support that opens doors and helps close sales for your product. And all for a "saving" that's smaller than you think . . .

It really costs very little to do an effective advertising job in business papers. A McGraw-Hill representative will be glad to show you just *how* little . . . in waste-free business publications where *your* advertising dollar buys its biggest quota of bona fide prospects.

McGRAW-HILL PUBLICATIONS

McGraw-Hill Publishing Company, Inc., 530 West 42nd Street, New York, N. Y.

American Machinist
Aviation
Bus Transportation
Business Week

Chemical and Metallurgical
Engineering
Coal Age
Construction Methods
Electrical Merchandising

Electrical West
Electrical World
Electronics
Engineering and Mining
Journal

Engineering News-Record
Factory Management and
Maintenance
Food Industries
Metal and Mineral Markets

Power
Product Engineering
Radio Retailing
Textile World
Transit Journal

BUSINESS WEEK

Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—Business will now settle down to watch nervously Roosevelt's handling of vast new powers voted him under whip and spur by remarkably subservient Congress. His appointments to important boards and commissions, setting up of new agencies, announcements of plans for future, defenses against criticism will all be under close scrutiny. So will development of opposition that might conceivably throw Roosevelt, New Deal, and Brain Trust into discard next year. And all eyes will be on court proceedings as more and more New Deal legislation runs constitutional gauntlet.

Speeches Will Furnish Key

President's new program, including attacks on bigness in business or private fortunes and further assaults on public utilities, will be indicated in series of speeches. First is radio fireside talk. Others will follow on his trip to Pacific Coast.

Home at Any Cost

Mad rush to adjourn produced many weird results, too many tangles for all to be straightened out despite best intentions. A few weeks more would have permitted much saner consideration of the undigested legislation. But they wanted to go home and Roosevelt wanted it, too.

That Entering Wedge

Excess profits tax lost much of sting when corporations were given right to change 1934 declarations of value, but small companies with wide variations of profit and loss will be hard hit. "Entering wedge" tax against bigness is not as drastic in what it takes now as in what it threatens if principle is carried to conclusions which Brain Trusters desire.

New Rail Tax Burden

Railroads will be harder hit than most Washington officials figure by new tax on inter-corporation dividends, due to methods of consolidating present systems and laws making changes difficult. All big railroads are holding companies, deriving much revenue from dividends of subsidiaries. Most can ill afford this additional tax burden on top of boost in capital stock tax and increased corporation income tax.

AAA and Lawyers Differ

AAA officials are sure new amendments will stand court test of constitutionality. Most lawyers think otherwise. AAA will try to get Hoosac

NRA STILL KICKING

NRA may be just a skeleton but it promises lots of excitement now that Congress is leaving. Investigations of industries and plans for business cooperation—not to mention laying groundwork for change in Constitution—are on agenda.

Mills case before Supreme Court as soon as it convenes in autumn. Alarming possibility to small manufacturers is that court may throw out sliding scale processing taxes based on parity prices, but sustain those frozen at present levels.

Strange Conversion

Advocacy of anything like short selling by a New Deal agency was just about the last thing expected. It appears in report of President's Cabinet Committee on Cotton Textiles. This speaks favorably of expanding facilities for hedging operations in market—selling futures to avoid loss by drop in price of cotton during fabrication or while in inventory. Otherwise, report was a fresh, but not new, diagnosis of industry's ills.

Tenant Farmers Lose

Bankhead's billion-dollar loan program to set up tenant farmers on their own homesteads, after passing Senate, perished in House Agricultural Committee—to great delight of those who worry about size of national debt.

Stick to Codes

Washington's studies of what has happened since codes went out indicate that wage and hour standards are holding up to surprising extent. Retailers are worst offenders, but, even among them, lengthening of hours is more frequent than wage reductions.

Belated Neutrality Drive

Administration did not get excited about neutrality bill until Senate unexpectedly passed it—in form most undesirable to State Department. White House had never put any steam

behind measure, had thought it would die, that Washington could handle any situation arising. It has always leaned toward international agreements on munitions sales as against letting some countries build up arms-producing capacities, hence their fighting power, at expense of others taking more humanitarian stand.

President Wants Leeway

President got very busy after Senate action on neutrality, as he desires to be left free to negotiate, enforce protection of Americans, etc., by implied threat of embargo, instead of having his hands tied down by law clapping embargo on all belligerents.

Aid to Building

ICC reductions in transcontinental lumber rates to points east of Illinois-Indiana line are expected to stimulate building. Western roads wanted them as experiment. Southern pine may follow. Government believes building is reviving fast.

Food and Drug Holdover

Food and drug fight goes over to next session with promise of immediate consideration in January. Meanwhile, plans proceed to obtain more drastic measure.

Ship Bill Sunk

With kind words, but no heat, from the White House, ship subsidy measure died in the House and never even came to life in the Senate. Its chief Senate advocate, Black, was too busy investigating utilities lobby.

London Lesson

New social security board may go to London to study difficulties British ran into in their initial experiments.

Clue from Mr. Ickes

Ickes' remark that cities can afford to pay something to remove public utilities from local politics—made in discussing loan to duplicate private power plant by municipal one—gives clue to future Roosevelt drive on utilities.

Rail Reorganization

Railroad reorganization measure will weaken minorities' power to prevent revamping of capital structures, but imposes no other restrictions.

Scrap Battle

High scrap won easily against efforts of detinning industry, to prevent scrap exports. Sobs of Representative Faddis of Pennsylvania that Japan was buying tin scrap to smash detinning men and to recover steel for war purposes proved in vain.



A message to companies whose presidents do the typing

RIDICULOUS, you say. Ridiculous—and an unnecessary waste of money, time and talent. No successful business would permit, let alone ask, a five-figured executive to tap out the daily mail. He might be good at it but he couldn't hold a candle to Susie Staccato in speed and neatness. Turning out letters is the one thing Susie does best. And Susie does it for so very, very much less money.

But when it comes to sales to the manufacturing industries, there are many companies where "presidents do the typing." They are the companies that put all of the sales load on salesmen—and needlessly use expensive sales talent when a part of the job of building orders can be done by industrial publication advertising at a fraction of the cost. These companies are paying a maximum price for work that can be done for far less.

Just as Susie Staccato gets results at little cost, so does adequate advertising in **FACTORY** help your salesmen close more orders,

more often, in less time. And it's cheaper than letting your salesmen go it alone.

★ ★ ★

More plant operating officials in the worthwhile plants throughout the manufacturing industries subscribe to **FACTORY** than to any other business publication. These and other reasons are why, with an adequate advertising campaign in **FACTORY** supporting your salesmen or distributors, you can sell your company and more of your products to manufacturing plants and do it for less money. The ability of **FACTORY** to do this is why an increasing number of concerns are placing advertising in **FACTORY**.

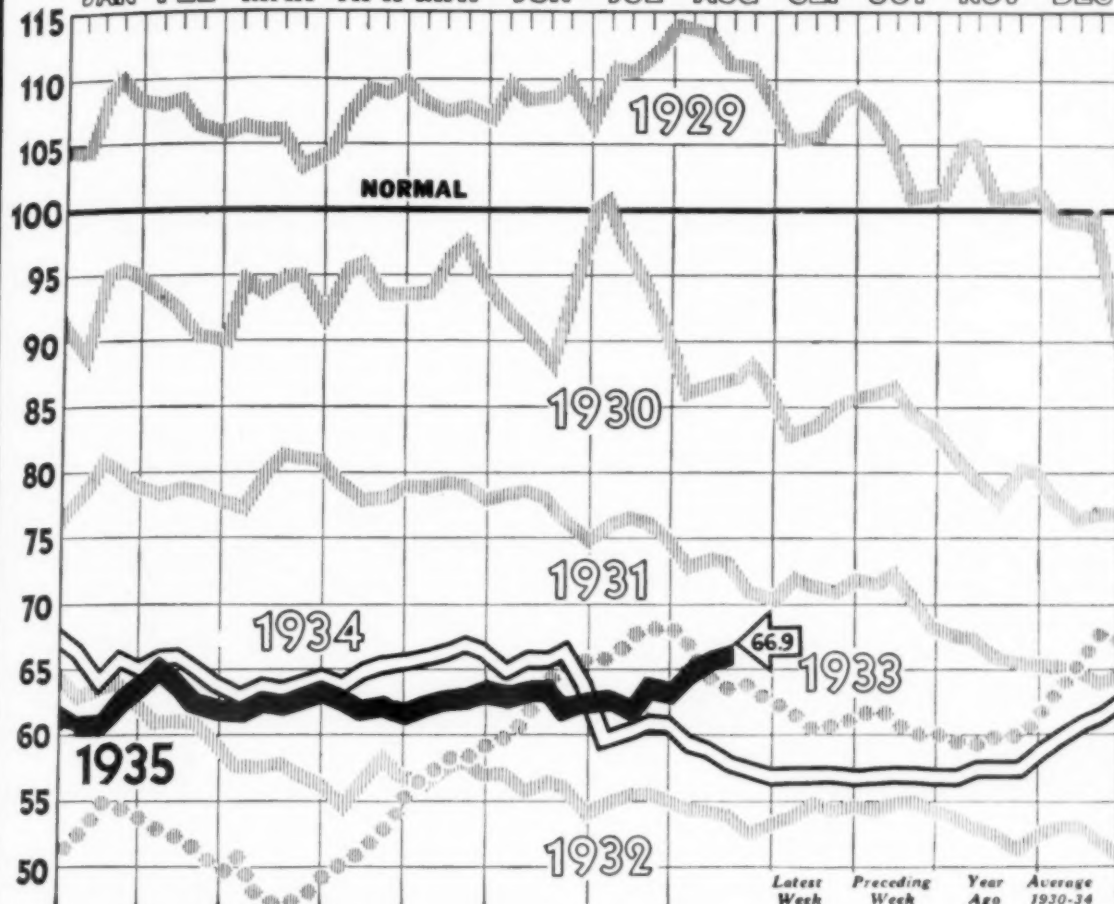
If you want to pay less for your orders from the manufacturing industries—if you want Susie Staccato to do your typing job—any **FACTORY** representative is well equipped to show you why and how adequate advertising in **FACTORY** will accomplish lower sales costs for you.

FACTORY

MANAGEMENT and MAINTENANCE
A MCGRAW-HILL PUBLICATION
330 WEST 42nd STREET, NEW YORK, N. Y.

WEEKLY INDEX OF BUSINESS ACTIVITY

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC



BUSINESS WEEK INDEX

PRODUCTION

★ Steel Ingot Operation (% of capacity)	48.8	48.1	21.3	35.5
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$6,336	\$5,861	\$4,496	\$7,571
★ Bituminous Coal (daily average 1,000 tons)	*820	1,889	962	1,085
★ Electric Power (millions K.W.H.)	1,833	1,819	1,674	1,612

TRADE

Total Carloadings (daily average 1,000 cars)	97	100	101	113
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	64	64	64	73
★ Check Payments (outside N. Y. City, millions)	\$3,200	\$3,652	\$3,116	\$3,456
★ Money in Circulation (daily average, millions)	\$5,571	\$5,562	\$5,349	\$5,159

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.02	\$1.04	\$1.06	\$0.73
Cotton (middling, New York, lb.)	\$1.17	\$1.15	\$1.34	\$0.98
Iron and Steel (STEEL, composite, ton)	\$32.68	\$32.64	\$32.23	\$30.92
Copper (electrolytic, f.o.b. refinery, lb.)	\$0.79	\$0.78	\$0.88	\$0.82
All Commodities (Fisher's Index, 1926 = 100)	83.7	83.1	77.8	72.6

FINANCE

Federal Reserve Credit Outstanding (daily average, millions)	\$2,476	\$2,476	\$2,467	\$1,827
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$18,477	\$18,491	\$17,732	\$16,977
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,368	\$4,380	\$4,531	\$4,901
Security Loans, Federal Reserve reporting member banks (millions)	\$2,979	\$2,981	\$3,294	\$3,710
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,010	\$1,005	\$915	\$796
Stock Prices (average 100 stocks, Herald Tribune)	\$106.07	\$106.01	\$96.12	\$112.77
Bond Prices (Dow, Jones, average 40 bonds)	\$96.45	\$96.69	\$93.06	\$90.61
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1.6%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	4%	4%	4-1%	1.9%
Business Failures (Dun and Bradstreet, number)	203	219	197	410

* Preliminary † Revised ★ Factor in Business Week Index ‡ 1932-34 average.

Latest Week	Preceding Week	Year Ago	Average 1930-34
166.9	*66.3	58.3	67.4

COMMONPLACE

in a fishing fleet, but...



DRAMATIC

in your operating budget

GLOUCESTER fishermen . . . Banks trawlers . . . ocean-going tugs and Lakes grain carriers were among the first to swing to Diesels for power—and wherever the waters are open for navigation, they've long been preferred for operating economy and dependability.

Ashore, their stationary brothers abandon the churning propeller, turning generators and driving directly the machinery of a thousand industries. The smaller Diesels may be found on trucks as portable power units—or driving an isolated pump or machine tool anywhere from a busy metropolitan office building to a dude ranch. The larger Diesels supply power and light for cities and entire industrial plants.

In plant after plant, in municipality, mine, ranch and construction project, this efficient machine for making power slashes deeply into accepted power

costs—often halving rates and turning in startling savings in operating budgets. Nearly three million horsepower of F-M Diesel engines are in service today, from South Africa to Alaska.

As designers and manufacturers of America's most diversified line of Diesel engines—for all types of service and in sizes from 10-hp. up, Fairbanks-Morse has an older and more complete experience with which to apply Diesel savings to your business.

AN INTERESTING BOOKLET

An interesting booklet "DIESELS and PROFITS" describing the economy phases of Diesel operation, will be sent on request.



Fairbanks, Morse & Co., 900 S. Wabash Avenue, Chicago, Illinois. Offices in principal cities of the United States and seaports of the world.

FAIRBANKS-MORSE DIESELS

NEARLY THREE MILLION HORSEPOWER NOW IN SERVICE

64040A3072

The Business Outlook

DESPITE the disturbing influence of Congress, rushing at headlong speed to wind up its work, despite threats of war and the silver débâcle in Bombay, business more than held its own during the week. Steel operations continued to advance contra-seasonally; electric power output and building activity gained; automobile sales sustained their good showing; general retail sales scored further marked improvement; firm steel scrap and higher metal prices pointed to a stronger price situation. Latest available reports indicate a sharp rally in carloadings, thanks to accelerated movement of coal and crops. And the *Business Week* index stands at 66.9% of normal, a new high for the year and the highest level since the week of June 23, 1934.

New Corporate Expenditures

Most encouraging news of the week is that contained in various announcements which issued from large industrial corporations rather than that supplied simply by general statistics. For example: U. S. Steel has announced a second \$20-million expenditure in enlarging the American Sheet and Tin Plate plant. And Granite City Steel joins the modernization parade with a \$4-million appropriation for new equipment. Perhaps even more stimulating were announcements of pay increases, such as those of Westinghouse Electric, York Ice Machinery, and Bucyrus-Erie.

Steel Continues Up

Despite warnings of leveling off in demand, steel activity continued to expand for the seventh consecutive week of what is normally a slack period. It is now rapidly approaching the 50% of capacity mark and stands at the highest level since last February—more than double a year ago. No setback is expected before Labor Day, and the threat of any drop after that date is remote, for operations are expected to move upward in response to brisk automobile demand.

Slack Season Cut

Steel's usual dull season has been cut considerably this year as a result of prolonged runs on old automobile models as well as the pushing ahead of new model production to meet an early show date. Increased takings by miscellaneous consumers, particularly farm implement makers and, on a smaller scale, such other industries as radio, electrical equipment, containers, and furniture have helped sustain a high rate of operations. This week even long dormant railroad buying showed signs of reviving.

AIR TRAVEL GAINS

Despite death of its biggest booster, aviation is convinced that America's air-mindedness is here to stay. In the first half of the year, 370,000 passengers rode the airways—an increase of 60% in 2 years, according to the Aeronautical Chamber of Commerce. During the same period, express poundage has multiplied 2½ times.

Steel Price Filing Out

Scrap prices continue upward and some gains are apparent in smaller items. Failure of steel and pig iron producers to list these advances with the American Iron and Steel Institute indicates abandonment of the price-filing system beginning with fourth quarter deliveries. However, no immediate change in major product prices is anticipated.

Motors Start Early

All the old-time glitter and glamor promises to characterize this year's automobile show, opening in New York Nov. 2. Last year, when it was theoretically the dealers' show, private competitive displays by the manufacturers in various halls and hotels were not allowed. This year, no holds are barred. To get ready for the early season Ford reopened his plants last week. Result: After 2 successive drops, production figures advanced this week and estimates for the month were raised to slightly more than 200,000 cars. It is expected that the low point will be reached in September, when the change-over from old to new models takes place. This will correspond to the low levels reached in November of last year. In view of the advanced schedules this year, November and December are expected to show great spurts in output and sales.

Copper's Strategic Position

Domestic sales of copper during the past week amounted to 95,000 tons; 68,879 tons were sold on Monday alone when the bulk of the sales were booked at 8¢ Valley. Late that day,

however, several lots were sold at 8½¢ and, despite decreased activity in this market on Tuesday, the 8½¢ figure was maintained. Copper stocks have been steadily decreasing so that at present they are no longer burdensome. Thanks to this circumstance and to the increase in consumption, the copper industry finds itself in a better statistical position than for some time.

Mills Match Price Rise

Under the NRA code, the price of copper had been sustained at the 9¢ level for fully a year. When the codes were nullified, it declined to 8¢, where it was held constant until this week, when the first advance was recorded since June, 1934. The large domestic buying was due chiefly to expectations of further price increases in the fall. Effective Aug. 20, fabricators of copper and wire mills announced higher schedules to conform with increases in raw material costs.

Power Production Peak

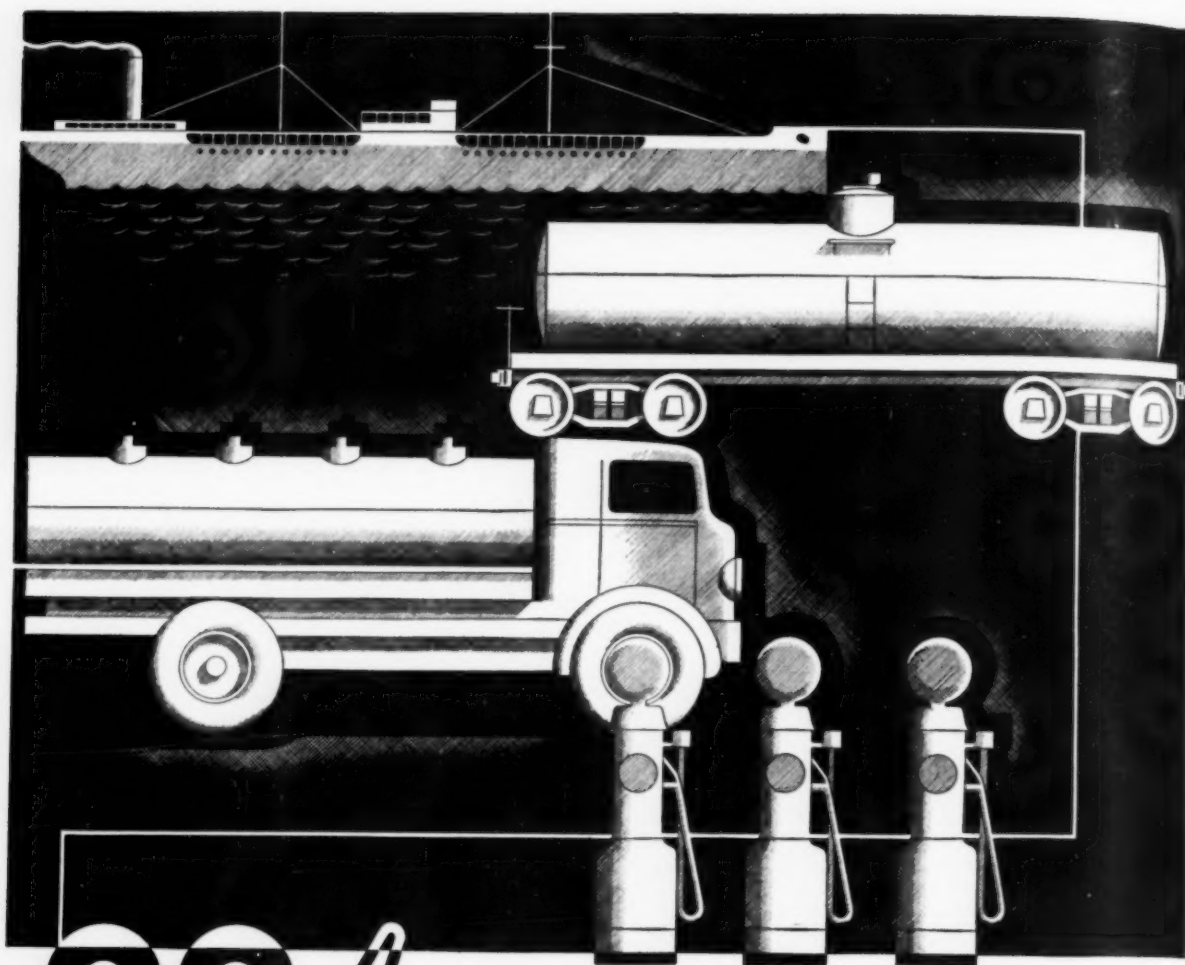
Electric power production for the week reached a new high, maintained its wide margin over a year ago. The Rocky Mountain area reported the heaviest gains—39.5% above a year ago. During the first six months, sales of electricity increased 6% above corresponding totals for last year. Domestic consumers and steam railroads scored the largest gains; industrial users lagged behind.

Federal Projects Needed

Pickup in the volume of building is one of the most encouraging of recent developments, though that sharp stimulus which only action on federal projects can supply is still missing. For the week ending Aug. 22, *Engineering News-Record* reports a construction total of \$29.4 millions, which is 15% more than the average for this year but lower than records set in the two preceding high weeks. Public works—earthwork, waterways, streets, roads, public buildings—accounted for the bulk of the activity.

Employment Declines

U. S. Bureau of Labor statistics on factory employment in July are expected to show the usual decline from June. Drops of 0.5% in employment and 1.2% in payrolls—less than seasonal—have already been reported for New York state. Canning and preserving industries, now at the height of their season, naturally reported large gains in employment; furs and leathers showed smaller gains. These were more than offset by temporary shutdowns in other industries, either for vacation, inventory-taking, or rehabilitation purposes.



"60%

OF OUR SALES ARE MADE
BY TELEPHONE"

SAYS R. M. PARKER, JR., VICE-PRESIDENT IN CHARGE OF SALES, HARTOL PRODUCTS CORP.

SALESMEN of Hartol Products Corporation, one of the leading marketers of petroleum products in the North Atlantic States, telephone customers regularly between personal visits to announce price changes, secure orders and maintain frequent friendly contact.

"Prices fluctuate constantly and up-to-date information is absolutely essential," says Mr. Parker, "therefore, each salesman telephones the home office every day to secure market information and to report on conditions in his territory.

"Hartol's sales methods have been effective. Our business increased steadily during the depression . . . 1934 being ahead of 1933. At least 60% of all sales are made by systematic use of Long Distance.

"Other departments of our business depend heavily on Long Distance also. Purchasing, Traffic

and Production Departments find profitable use for it. Plant managers in the East and at Texas terminals call home office executives for final and decisive action on tankers, movements of cargoes and other urgent matters.

"Inquiries from abroad are handled by Bell System Overseas Service whenever speed and personal discussion seem essential. The telephone is an effective and speedy medium of communication for all domestic and international trade contacts."

Long Distance has served so many businesses so successfully that it will probably more than pay its way for you, especially if you use it on an organized basis. Call the local Business Office. A representative will gladly discuss details at your convenience.



AUGUST 24, 1935

The "Roosevelt Congress"

Congressional record of 1935 shows that, despite some heavily headlined defeats, the President has had his way to a remarkable degree. The doubts are those raised by the record of public opinion.

FOR legislation that, for good or evil, will affect every man, woman, and child in America, for blind obedience to the Chief Executive against its own judgment on so many issues, for initiating policies that may change the whole economic system under which this country has grown to greatness, and for making both the Supreme Court and the Constitution political issues, this session of Congress will live long in history.

Seldom if ever has a President obtained his own way to a greater extent from his second Congress than has Roosevelt. Most Presidents have completed their program and policy legislation in their first Congress. For example, the second Congress of Wilson dealt mostly with problems which grew out of the World War. The domestic legislative program Wilson stood for was put through prior to adjournment of his first Congress on Mar. 4, 1915.

Insurrection against the New Deal has been so prevalent in the cloakrooms, in speeches on the floors of House and Senate, and in newspaper interviews, that the public does not realize the extraordinary success which has attended the Administration program so far as actual enactment is concerned.

On Dec. 29, 1934, *Business Week* printed a story under the heading, "The Mandate Congress," with a subline "Veterans' bonus and St. Lawrence seaway may supply fights and NRA a showy debate, but mostly the President will write the ticket."

And Roosevelt did.

Where President Lost

Let's look at the spectacular defeats:

(1) Death sentence in public utility holding company bill: Beaten by the greatest mass attack on individual senators and representatives that had ever been made by security holders.

(2) World Court: Not on the New Deal program at all. In fact, bitterly opposed by most left wingers, especially Republican Progressive senators. Beaten by nationalist groups and frozen isolationist sentiment hanging over from Wilson League of Nation days.

(3) Contributions to charity by corporations: A straightout defeat. Opposi-

sition so unanimous and pressure from social workers, institutions, etc., so general that President never crystallized his expressed opinion into heat calculated to change votes.

(4) Gold clause suits: Idea that a citizen should be deprived of right to ask courts for justice too much for all but most docile sheep on Capitol Hill—though the congressional revision of that idea has much the same effect.

(5) St. Lawrence seaway: Geographical opposition to diverting business from Atlantic and Gulf ports to Canada so strong that Roosevelt didn't raise the issue. He was really only interested in power development angle, anyhow.

Now let's look at the victories:

(1) Carte blanche power to spend \$4 billions for relief: Schemes to earmark much of money absolutely hamstrung by amendments permitting diver-

sion from one fund to another. Nothing ever like it in peacetime—or wartime.

(2) Social security legislation: Old age pensions and unemployment relief systems set up.

(3) Share-the-wealth: Higher taxes on estates, despite defeat of desired inheritance taxes. Much stiffer taxes on corporations, with entering wedge of sliding scale against bigness. Higher levies on incomes from \$50,000 up. This victory particularly remarkable because congressional leaders did not want any tax bill this session, and virtually no one in either House liked Roosevelt's tax ideas.

Bank Control Strengthened

(4) Banking bill: Federal control strengthened. Although Carter Glass wedged 5 bank representatives into the open market committee, the Reserve Board will have a majority and the committee has absolute authority over investment activities of individual Reserve banks. The board has new powers in its authority to raise reserve requirements and so force contraction in member bank credits, also in its veto privilege on selection of Reserve bank heads.

(5) AAA amendment: Adroit attempt to circumvent expected Supreme



SUCCESSFUL AUTHOR—President Roosevelt has just cause to smile. Most of the bills that have come to him for signature in the hectic rush to close down Congress are pieces whose broad outlines he blocked in himself. Edited and revised, of course, but all part and parcel of his New Deal philosophy.

Court decision against processing taxes. Flies in face of strong sentiment against AAA crop restrictions.

(Incidentally, it is an important point in the record that this session of Congress has had to devote a large part of its time to such repair jobs on the New Deal. This may be taken as comment both on the quality of the planning that created New Deal measures to fit our constitutional system and on the changing reaction of the public from assent to questioning—a shift of which Congress and courts have been well aware.)

To Outflank the Court

(6) Railroad pensions: Another adroit attempt to circumvent expressed view of Supreme Court as to constitutionality.

(7) Guffey coal bill: Urged to enactment with admission it may be held unconstitutional.

(8) TVA amendments: Put through in form President will accept despite hostile sentiment and court attacks.

(9) Soldier bonus: Weakest of all. But Roosevelt, by tremendous application of heat, did succeed in having his veto sustained by ample margin in Senate. Though apparently he has made all sorts of promises with regard to next year to avoid another battle now.

There are plenty of others, but that gives the picture.

The record is the more remarkable because the last few months of it were made after the Supreme Court had cracked down on vital New Deal policies, while the closing hectic weeks were started by unmistakable indications that the New Deal and Roosevelt were slipping in popular esteem, as evidenced by Rhode Island overturn.

In fact, during the closing weeks of Congress the entire political picture changed. Up to the Rhode Island vote, Republican leaders privately conceded that there was no chance to beat Roosevelt in 1936. From that moment on they began to believe reports from Ohio, California, Indiana, and other states which they had theretofore ignored as wish-thinking on the part of those making them. These were reports that the voters were turning against Roosevelt and the New Deal.

New Deal Losses

Shift of public sentiment made both parties anxious to adjourn—but for different reasons.

TURNING from Congress to the country, it is evident that the New Deal program as jammed through this session, regardless of Supreme Court and Constitution, aiming at leveling off wealth and soaking the investor in corporate securities, has shocked a great many who had been strong supporters of the New Deal, had



LAST ROUNDUP—Having finally settled with the President the fate of this legislative session, key men of House and Senate leave White House to finish last in home stretch. Left to right: Representatives Byrns, O'Connor, Doughton, Vice President Garner, Representative Taylor, Senators Robinson and Barkley.

voted for Roosevelt in 1932 and for a Congress to support him in 1934.

Strangely enough, people who had approved all the New Deal policies up to the NRA decision of the Supreme Court were flabbergasted when the President displayed, after that decision, an eagerness to change the Constitution, or curtail the powers of the court. People who had crusaded to change the Constitution to permit prohibition, and then changed it again to sweep it out, were aghast at talk of changing the old document in another way to permit the very things they had been shouting for in NRA, AAA, and the rest.

Explaining Desertions

It's difficult for New Dealers to understand. But the anti-New Dealers have a simple explanation. They say these inconsistent people have now decided they don't like the New Deal policies they formerly cheered for, hence grasp at the Constitution to knock them out. Others think many voters have changed because they were willing to have anything tried while the country was scraping bottom, but now that there is a chance for a comeback they don't like the federal government's closing the door to so many opportunities for individual advancement. In short, regimentation may not sound terrible when everybody is broke, but rugged individualism becomes more attractive when there are sweets to be divided.

Whatever is the answer, there is no doubt whatever that there has been a reversal of public sentiment. If the election were held tomorrow, with a fairly unobjectionable opposition candidate, Roosevelt's reelection would be in danger. Plenty of shrewd observers go further. They think Roosevelt would be beaten.

All of which explains the last minute rush of Congress to get away. Roosevelt and the Administration leaders on Capitol Hill wanted Congress out of Washington before this growing resentment out in the country should become so manifest that it would cripple the President's control.

Republican leaders agreed with the idea of speedy adjournment because they wanted to take full advantage of this growing resentment. They feel that Roosevelt is not being beaten but is beating himself, and they have no desire to interfere.

Many Administration critics outside of Congress do not agree with this logic. They think the Senate Republicans, for example, should have stayed on the job, fought the tax bill and other measures rushed through in the last two weeks without more than perfunctory opposition. They think that thus the inequities of the measures, as they see them, would have been driven home more conclusively to the country. Just as the League of Nations was killed, so far as the United States was concerned, by the long-drawn-out battle of the Irreconcilables, freezing sentiment against it and making possible the tremendous Harding landslide of 1920.

Strategic Acquiescence

G.O.P. senators say they could not have changed any detail of the bills. The truth is they did not want to. They wanted no alibis to be possible for measures they are sure will prove obnoxious, and hence will help turn Roosevelt out—they believe—next year.

Privately some of them confess they could have saved the country—a little—from Roosevelt this year, but they regard it as more patriotic to save the country from Roosevelt for 4 more years.

Last-Minute Legislation

New taxes, new banking act, and other measures important to business are pushed through or out in final rush of Congress to get home.

OUT of the final rush to get home, Congress this week wrested from conference or committee and tossed toward the White House or out of the window some of the most important and most debated legislation of the session.

The list of measures jammed into the melee included the historic utilities bill, the Guffey coal-code setup, TVA's plans to keep on crowding the private power companies, the Frazier-Lemke scheme to get around the Supreme Court on farm mortgage relief, rail labor's ideas of how it might squeeze a pension program through the jurists' objections, the alcohol control bill, the Walsh device to bring government contractors and suppliers back under NRA, the Administration move to block "gold clause suits," AAA's amendments to mend its Constitutional weaknesses, the long-fought bank bill, the last-minute tax bill that may make political history, and a last-second neutrality proposal to make world history.

Most of the measures that got through this week have been discussed at length in *Business Week* at various times since they first appeared on the calendar. The

final form and significance of some of them are explained on this and the next page and others will be taken up in subsequent issues. Through their effects, a large number of them will be making business news for a long time to come.

Among the first in importance are measures covering:

1. Taxes

BUSINESS becomes the goat as the social reform tax bill turns out to be more a blow to big business than to big wealth. Corporations are hit in 4 ways and find 2 new principles of punitive taxation going into the statute books—sliding scales on corporation incomes and levies on dividends received by corporations.

When the politicians had made what capital they could out of the issue and the conference compromises were finished, the inheritance taxes which the President wanted to break up hereditary wealth were out, higher estate and gift taxes serving in their stead. Surtaxes had been jumped more than the President asked, the new graduations starting

at \$50,000 incomes and running up to 75% at the \$5-million level.

Little could be done to prevent tax evasion by wealth and big incomes, which during deliberation on the bill appeared to be the real grievance of the Administration. Borah's attempt to remove tax exemption from federal government securities was lost because the Treasury was not willing to forego this sales point until a constitutional amendment had taken it away from state and local governments as well. Rates were upped on incomes of personal holding companies to correspond to the higher surtaxes.

The Treasury will be better off by about \$250 millions, about 10 days' rations at the current rate of spending, corporation taxes providing \$118 millions, less an estimated \$15-million deduction for charity contributions which were allowed despite the President's opposition. Higher death taxes should net \$102 millions and surtaxes another \$45 millions.

Dividend Tax Foothold

There is already a bite to the graduated corporation income rates which supplant the present flat 13 $\frac{3}{4}$ % with a scale from 12 $\frac{1}{2}$ % on the first \$2,000 to 15% on income above \$40,000, to take \$35 millions more from the corporations. A bare start is made on taxing dividends, only 10% of corporation revenues from this source being taxed, a source of \$29 millions of revenues. But business fears more of the same as the Administration continues to fight holding companies.

Additionally there are bigger excess profit and capital stock taxes, and they are arranged to hit size instead of profits. The capital stock rate is raised from \$1 to \$1.40 per \$1,000 of declared value of capital, to gain an estimated \$44 millions of new revenue. A new declaration may be made but to keep it high a 6% rate is imposed on profits above 10% and a 12% rate put upon returns above 15%. Only \$10 millions of revenue is expected from this.

2. Banking

CONFEREES left enough of Carter Glass' handiwork in the bank bill to make it a fairly respectable measure. If there are provisions the banks would have preferred omitted, that was the cost of getting their unlimited liability under deposit insurance supplanted by a fixed 1/12% of deposits.

There is no central bank, no asset money, such as originally proposed by Administration forces.

The Federal Reserve Board gets more authority but likewise more responsibility, including that of telling the world, through annual reports to Congress, just what it does to influence credit and why.

There will be a new 7-man board,



FORECLOSURE FORESTALLED—When a federal marshal at Plattsburg, Mo., sought to conduct a foreclosure sale, this group of farmers "detained" him, prevented one more "land grab"—as such sales are branded in these days of rising farm values. Threat of violence added steam to the pressure for passage of the Frazier-Lemke bill to replace the mortgage act invalidated by the Supreme Court.

Feb. 1, 1936. It will not give the Secretary of Treasury or Comptroller of Currency ex officio seats—an amputation banks have wanted for years. The 7 "governors" (new title) can be blacksmiths, whom Glass would prefer over some bankers, and of any political faith. After the initial staggering of terms, they will serve 14 years, or 2 more than under present law but cannot be reappointed—still a long way from a supreme court on banking.

Sympathetic Board Assured

The President's privilege of naming a full new board, subject only to Senate approval, should assure an initial group sympathetic to what Representative Steagall calls the "advanced policies" of the Administration.

They won't be able to force much expansion in bank credit. In open-market operations, most potent device, their 7 must work with 5 representatives of the banks. They can clamp down, if that is ever desired in Washington, by increasing reserves required of member banks against deposits. They get one more finger in administration of the individual Reserve banks. Once each 3 years the bank president (erstwhile governor) must be OKed by them.

Banks are still barred from security underwriting, the conferees eliminating the Senate's middle-course relaxation in this direction, but the real estate mortgage field is opened up to them to the tune of about \$13 billions, or up to half total deposits, and on long-term amortized loans.

No contribution to unification, the amendments continue insurance protection for banks outside the Reserve System until 1942 and exempt beyond that date any state institution with less than \$1 million deposits.

3. AAA

AAA has trimmed its sails to the prevailing winds. According to much authoritative opinion the trimming is not proof against upsetting of the boat, but at least legislative and executive waters have been successfully negotiated, and only the judicial pond is left to clear.

The amendments that went to the President's desk were timid and defensive ones compared with the arrogant batch that AAA offered in 1934 and again this session, demanding greater authority over marketing and processing of basic commodities. When the Supreme Court chastised the New Deal in its NRA decision last May, AAA rewrote its proposals hurriedly and, instead of campaigning boldly for new territory, began to plead for its life.

The amendments just enacted were aimed primarily at bringing AAA within the limits of legality. In this Wallace's powers were clipped and

hedged with restrictions. The law was made to read that Congress imposed the processing taxes, past and future, and that Wallace's edicts are administrative orders. Past acts were legalized, future ones granted with specific limitations and formulas for automatic adjustment to changing conditions. Thus AAA hopes to dispose of the illegal delegation of legislative power which the courts have frowned upon.

Price-fixing was cut out, except in milk. Cotton and tobacco acts were extended, potatoes, rye and barley added to the basic list. Licensing power was subdued and came out of the mill as power to issue certain marketing orders, and these only under the definition of interstate commerce that was written into the bill.

Tax Suits Restricted

AAA moved to protect itself from the attacks on the processing taxes which have piled up 1,200 suits and hundreds of injunctions. Congress would not quite agree to bar taxpayers from the courts altogether, but the door to tax recovery was left open by no more than the barest fraction of an inch, a distance practically impossible for processors to squeeze through.

The Administration and the AAA won a victory in getting the amendments through Congress. It remains now to see how their victory will stand up. They believe they have the illegal delegation of power covered pretty well, but the other major question, the right of Congress to control agricultural production within state lines, is not settled. But the AAA structure, with its new base, will stand until late autumn at least.

4. TVA

THE President's power program was given further support in the new Tennessee Valley Authority act. It expressly authorizes TVA to sell surplus power—a right denied by one federal judge, but upheld by the Appellate Court.

Another amendment allows TVA to issue up to \$50 millions in bonds, to be used for expenses and for loans to municipalities. The Senate bill authorized TVA to buy private power plants for resale to the subsidiary governments; but, in conference, this was toned down to let TVA lend money to states and municipalities for the purchase of power-distributing systems.

A House requirement that TVA attempt to buy the transmission lines of private companies before building new ones was killed. So existing lines may be duplicated by TVA.

A 9-foot channel in the Tennessee River from Knoxville to its mouth is also provided for. TVA is given authority over proposed power developments on the Tennessee and its tributaries that might affect the TVA plan. TVA is also authorized to regulate resale schedule rates for power.

Besides, Congress practically removed Comptroller General McCarl as an obstacle. Purchase without competitive bidding is permitted in emergencies. McCarl, when auditing TVA books, would have to use his own funds, and he could not submit a report on TVA without first sending it to TVA, which would be allowed to attach its own report to McCarl's, so that Congress would read both at the same time.



WAITING FOR A RESURRECTION—Maybe the Blue Eagle would fly again and maybe it wouldn't—the 9 regional directors of the NRA didn't know when they met this week—but they were ready to launch another crackdown under the Walsh bill, to make federal contractors comply with code labor standards.



Wide World

NO MEETING OF MINDS—When Detroit housewives, headed by Mrs. Mary Zuk (center), went to Washington to demand an investigation of packers' profits, their complaints received scant consideration. The best Dr. Calvin B. Hoover, AAA consumers' counsel, could offer them was the hope of an FTC probe. So 7,000 women continued their picketing in the hope of forcing a 20% reduction in meat prices. Meanwhile the 4-week strike threatened to spread to Chicago.

Air-Conditioning Parade

Moving toward a bigger market, the air-conditioning companies expand their lines, revamp their organizations, try out new sales ideas.

New designs, new units, new manufacturers and lots of new customers and converts are keeping the pot of competition boiling in the rapidly maturing air-conditioning industry.

Latest offering is a new 100% self-contained plug-in type room-cooling unit by General Electric Co. Although externally more or less the conventional cabinet, the stuff that it has "under the hood" is so different that oldtimers are reminded of G-E's somewhat similar departure from the conventional when it sprang the "monitor top" on the refrigerator industry.

G-E Likes to Seal Them Up

G-E engineers who develop appliances that go into the hands of the general public always have been strong for turning out something as nearly fool- and tamper-proof as possible. They like to seal up the "works" so that no tinkerer can take them apart and then have to send for the service man to put them together again.

The new unit is an outstanding expression of that philosophy. No special wiring, water or air connections are involved in its installation. Within the

cabinet are mounted 3 hermetically sealed condensing units, each complete with compressor, air-cooled condenser, cooling coils, etc., each designed to do a specific job entirely independently of the other.

Four small motors are used, each operating independently, but the manual control apparatus is arranged so that when the unit is put to work they start in staggered sequence; an interlocking system prevents incorrect operation.

The unit performs the full quartet of functions required of modern comfort air conditioning in that it cools, dehumidifies, ventilates, and filters (using in the latter operation the type of filter that has been found the most effective for hay fever relief) at the rate of 275 cu.ft. per minute. It retails at less than \$500.

Another candidate for public favor with predominant cold-weather interest is G-E's new direct-fired warm air conditioner, which combines heating and air conditioning in one compact oil-burning unit. It is rated to deliver and circulate 1,680 cu.ft. of cleaned, humidified and warmed air a minute and, if

desired, can be supplied with a hot water supply heating coil for year-round service, as well as a cooling unit for summer service. Economical installation and low operating costs are relied on to make it popular for new small homes.

Several significant shifts by important factors in the air-conditioning field indicate that they are getting ready in a big way for the business that they see in the offing.

Strategic Shifts

For instance, the Westinghouse Electric & Mfg. Co. has transferred its entire air-conditioning department from East Pittsburgh to Mansfield, O., where Arthur E. Allen, vice-president in charge of merchandising, has taken it under his wing for intensive development. General Electric Co. has consolidated all its air-conditioning activities in the General Electric Air Conditioning Institute at its Bloomfield, N. J., plant. Chrysler Corp. is taking over Airtemp, Inc., originally organized by Walter Chrysler, Jr. (BW—Jul21'34), as a wholly-owned subsidiary, and in future will sell Chrysler air-conditioning equipment made by its Amplex Manufacturing Co. division through a newly formed division of the parent concern.

Among the pioneers of the industry (BW—Jan1'35), big-scale business continues to be the order of the day, with B. F. Sturtevant Co., Carrier Corp., York Machinery Co., and others leading the parade with installations in large government buildings in Washington, in department stores, and in office buildings, while their smaller units are handled through special sales divisions.

Advocates of air conditioning for industrial plants gained powerful ammunition last week, when Ford Motor Co. announced that the machine shops and foundry of its River Rouge factory—275,000 cu.ft. in all—will be completely equipped for temperature regulation and air conditioning when present additions to the system are finished. Ford officials expect 3 important results from this installation: better control of the accuracy of fine machinery operation, protection from dust and dirt, increased comfort for the workmen.

Sales Measure Growth

Reports of outstanding sales by various important manufacturers demonstrate the rapid strides toward public acceptance made by air conditioning during recent months.

For instance, Frigidaire is air conditioning 113 rooms of the Roosevelt Hotel at New Orleans. From General Electric Co. comes the report that 75 new homes now being built by Waverly Taylor, Inc., and 48 by Washington Builders, Inc. (both in the vicinity of Washington, D. C.) will be equipped with G-E air conditioning. Georgia Power Co. has bought a carload of self-



PLOWING UNDER THE WIRES—For use in rural electrification, the Philadelphia Electrical & Manufacturing Co. presents its cable-laying plow, which eliminates pole construction. Re-



gardless of soil conditions, it can lay lines 16 to 20 inches below the surface without trenching or backfilling. A gasoline winch, truck, or tractor pulls the plow and pays out the cable.

contained Kelvinator units to provide air conditioning for all its appliance showrooms. Public Service Corp. of N. J. is installing G-E, Westinghouse, Carrier, and York units, respectively, in its 4 major appliance salesrooms.

For those looking for general knowledge on air conditioning principles, on what to look for, what to avoid, and—indirectly—how to avoid buying future "orphans," Frigidaire has just published a guide which is free for the asking.

FHA Terms Are Help

Many manufacturers who have been wrestling with the problem of financing sales are finding the terms made possible by the FHA a boon to their business. Carrier Engineering Corp. has just signed up with the Equipment Acceptance Corp., a subsidiary of Commercial Investment Trust, formed to handle FHA-insured loans, for long-term financing of installations involving 5-year contracts of \$2,000 to \$50,000, which is expected to help bring in department and chain stores and other commercial establishments that prefer to pay for this type of equipment out of earnings.

Boosters of air conditioning say that the Fourth International Heating & Ventilating Exposition, to be held in Chicago Jan. 27-31, 1936, will provide the first real opportunity to study all the important types of equipment under one roof.

Streamlined Loans

RFC lends money for new trains on monthly payment basis.

RECONSTRUCTION FINANCE CORP. has developed an "instalment plan" for the buying of streamlined trains by railroads too deep in debt to borrow further for modernization. Budd Manufacturing Co., Philadelphia, has agreed

to supply trains under the terms. The RFC will advance Budd 80% of the cost. Budd will then lease the trains to the roads on a monthly payment basis which will finally cover the purchase. RFC takes a mortgage on the train and its earnings. Not only will RFC insist on approving all conditions of the lease but it will also pass on the design of the streamlined unit.

The plan appeals to the carriers because, unlike an equipment trust certificate, it doesn't add to the debt structure. Budd is negotiating for 8 stainless steel, streamlined trains (for 4 roads) to cost \$4 millions. No limit is set by the RFC for such loans. Other manufacturers are expected to participate.

Whole Loaf

American Radiator decides way to get heating business is to sell "systems," not "units."

HEREAFTER the public is going to hear about American Radiator "systems" for heating purposes instead of just about boilers and radiators.

Up to now the company has been spending millions to sell the public on its heating plants and radiators, but has had to depend almost wholly on the local heating contractor to follow through. Frequently its advertising has delivered the prospect at the contractor's office, only to have him converted to some other brand, offering the dealer a better profit, for part or all of the complete heating equipment order. In any event, installations sold through American Radiator effort have meant extra sales for other manufacturers who furnish valves, pipe, packing, and similar accessories.

Last spring executives of the company decided to remedy this situation. They created the Allied Products Divi-

sion and, through it, have since established facilities for furnishing all the needed materials for making complete installations. Next Monday their salesmen begin pushing the sale of heating systems instead of isolated units.

Local contractors are linked up with an expensive advertising campaign in newspapers and magazines and on the radio.

Chain Tax Fight

Advertising is only sure winner as California battles toward a referendum on chain tax law.

QUIET reigns for the moment on all fronts in the great battle of chain stores vs. independents being fought in California over the state's multiple store tax law (BW—Jul 27 '35). Behind the lines, however, both sides are busy devising strategic moves and laying in a supply of ammunition—money and persuasive arguments—with which the long and costly campaign will be fought.

Chains claim to have more than the required number of registered voters' signatures to referendum petitions and, as soon as these names are checked by the state, a referendum automatically becomes in order for the November, 1936, elections.

Independents Plan Injunction

Independents will attempt to block a referendum by appealing to state courts for an injunction under a provision in California's constitution which, their attorneys believe, forbids such a vote on a tax law. If they obtain an injunction, John Francis Neylan, San Francisco attorney for the chains (and, incidentally, for the Hearst publishing enterprises) will appeal to higher courts—even to the United States Supreme Court, if necessary—to

obtain a final ruling. If the injunction is not granted them, independents will probably go through the same process. Both sides plan widespread advertising efforts early in 1936.

Only 2 elements in the situation are certain: (1) that chains won't have to pay the tax until after November, 1936, at least; (2) that California's advertising mediums are in for a nice slice of business from both sides of the argument for many months to come.

Kroger Rabbits

Food chain goes into bunny breeding in a big way.

THE demand for domestic, dressed, ready-for-the-pan rabbits has grown so rapidly, and the supply has been so irregular and limited, that the Kroger Grocery & Baking Co.—second largest food chain in the country—has decided to enter the rabbit business.

Near Cincinnati, O. (the company's "home town") a rabbitry has been established under expert direction for the scientific breeding of rabbits from New Zealand stock.

The entire plant is reported to be the last word in sanitation, each family of rabbits having a separate compartment provided with wire mesh floors so that the bunnies never touch the ground.

A Tie-Up With Farmers

Besides supplying the demand for dressed rabbits in Cincinnati and nearby units of the 4,300-store Kroger chain, the rabbitry is expected to interest farmers in rabbit-breeding and to supply them with breeding stocks.

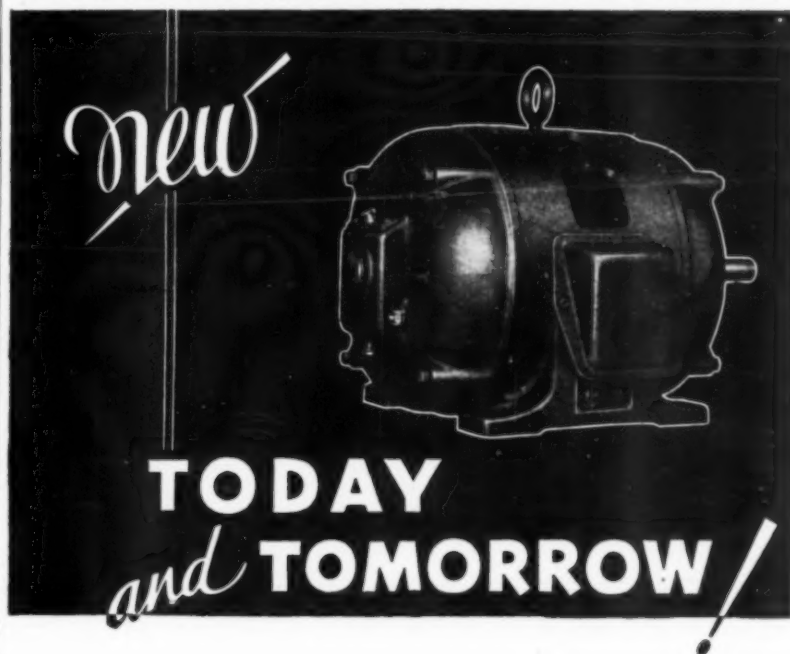
Kroger rabbit experts promise to build production up to 25,000 rabbits per year. Other experts ask, "How are they going to stop then?", and say that independent breeders without steady outlets have found production control by all odds their most serious problem.

Some rabbit breeders have built up a satisfactory business by selling their entire output to nearby canneries. In such cases, they have been able to make a profit even when the meat brought a low price, since the skins enjoy a steady demand.

Chicken Auction

POULTRY growers roundabout Harleysville, Pa., got tired of quarreling with buyers in the big cities over weights and prices. Last year they established a live poultry auction which moved the market nearer their farms and assured them a fair deal. Since then quality poultry has brought premiums over New York and Philadelphia, extra profits to the farmers have run into thousands. All birds are sold at open auction on Wednesdays. Anyone may buy or sell. A 6% handling charge takes care of overhead.

CENTURY SQUIRREL CAGE INDUCTION MOTORS



Because every detail of design is based on complete, accurate knowledge of industry's most exacting requirements—the NEW Line of Century Polyphase Motors will still be new tomorrow! "They Keep a-Running"

AIR CONDITIONING

For years Century Motors have played a conspicuous part in Electric Refrigeration, Pumps, Oil Burners, Compressors, Blowers, Stokers and other types of equipment which have grouped themselves into the fastest growing industry of today—Air Conditioning!

Century's proved ability to meet, and often exceed, these unit requirements assures the same ability to meet the group requirements.

UP TO 600 HORSE POWER

Century Engineers know industry's motor demands —Century Motors are built to meet them!

CENTURY ELECTRIC COMPANY
1806 Pine Street St. Louis, Mo.
Offices and Stock Points in Principal Cities

Century

MOTORS UP TO 600 HORSE POWER

Canada Dry vs. Coca-Cola

Ginger ale company enlists 8-oz. bottle in drive on its Southern rival, thereby focussing attention on some of the problems of the big bottler.

"SPUR," the new 8-oz. bottled product just launched by Canada Dry Ginger Ale, Inc., is considered in the trade as another attempt by makers of the famous "pale dry" ginger ale to unseat King Coca-Cola from the throne of popularity that he has occupied continuously before, during, and since prohibition.

Theoretically this latest assault strikes at the very stronghold of the Coca-Cola setup, since a big share of Coca-Cola turnover is in sales of the 8-oz. bottle. This is obtainable from all kinds of retailers, with and without soda fountains, who buy the bottled Coca-Cola at a net cost of 60¢ per case of 24 bottles or 2½¢ each, so that a sale at 5¢ a bottle clears 100% profit.

The 8-oz. bottle of Canada Dry ginger ale is being sold on identically the same basis and insiders report plans for an intensive campaign which may even include premiums or special offers to encourage dealers to push the new item.

Practical operators predict that, while the new size may add a bit to Canada Dry sales volume, it is also likely to take a bite out of net profit. They point out that, in contrast with Coca-Cola, which is sold to local bottlers in syrup form, somehow ginger ale has never been successfully distributed on a national basis any other way than bottled at the plant of its manufacturer. Usual explanation is that the properties of the water used, plus conditions observed in charging and bottling, have a direct effect on the flavor of the product.

Some Say It's Dangerous

From this comes the argument that, with thousands of other brands clamoring for acceptance, the maker of a popular ginger ale would be "monkeying with the buzz-saw," if he risked public favor by letting local bottlers, using local water, put out his product under the national brand label. But sending bottled ginger ale all over the country at 2½¢ a bottle doesn't sound like a profitable undertaking. (Incidentally, it may be recalled that Canada Dry has tried out the distribution of syrup for use at fountains to make its ginger ale popular as a straight syrup-and-soda drink and has not been altogether happy about the results.)

Canada Dry's efforts to add volume through new packages and new beverage lines—soft drinks, beer, gin, whiskey, etc. (BW—Jun 17 '31; Oct 7 '33)—are paralleled by those of some other makers of bottled water and soft drinks. Such manufacturers expected

repeal of the 18th amendment to skyrocket sales, what with every highball, Tom Collins, or other long drink demanding charged water or ginger ale. However, they counted without the apparatus manufacturers, who have sold charging units to hotels and clubs, often on instalment terms, so that many establishments formerly rated as big outlets for charged water and ginger ale now do their own bottling and buy only small supplies of the advertised brands to satisfy particular patrons.

Local bottlers of soft drinks also have made the going harder for the larger manufacturers. They often enjoy the friendship of the larger local buyers and

they frequently cut prices to a point at which the big fellows, coming from a distance, can't afford to compete.

Income figures tell an interesting story. Canada Dry, continuing a rather steady decline in net income from the 1929 peak of \$3,534,000, dipped into red ink for the second quarter of 1933 to the tune of \$85,000. Which insiders say partially represents the price paid in exploring various new lines made attractive by repeal. Coca-Cola, after topping its 1929 record income by over \$1½ millions in 1934, continued the advance in 1935, beat 1934 net income for the first quarter by over 20% and is reported going strong now. Whiskies say that the answer is simple: The one must operate from a central point, absorb high freight and distribution charges on the bottled product to protect its market. The other just sends out the syrup and its product tastes practically the same whether bought at a fountain or in bottles, whether in New York, Kalamazoo, or Denver.

Battle of the Blends

Each behind a veteran flag-bearer, Seagrams and Schenley move into the market for dollar whiskey blends.

THIS week, when the Schenley Products Co. and Distillers Corp.-Seagrams, Ltd., moved almost simultaneously into the dollar whiskey market, the battle of the patriarchs dominated advertising columns in New York City newspapers.

In the one corner, sitting on a whiskey barrel, was Harry E. Wilken, who in his 43 years as a distiller has produced some 380 million gallons of whiskey, which the Schenley people figure must

be a record. In the other, was 80-year-old Julius Kessler, who got his start in the business out in the Colorado boom towns of the late seventies and whom Seagrams boldly billed as the man who had made and sold "more whiskey than any man alive." But Schenley could afford to spot Seagrams a few years of experience and several million gallons of mash, for behind their veteran battler was the whole Wilken family—Harry,

Folks look!
(over) my first wife! I've been working on a new whiskey to give you about it just couldn't wait to tell you about it. You can get it at most of the big stores. You'll love it. It's the best I ever made.

Our own family's whiskey!
Personally supervised by me and the boys.

WILKEN FAMILY WHISKY

Prominent Americans Congratulate
JULIUS KESSLER!

His 80th Birthday
of President Hoover
the President of the
House of Representatives
Drinking Company

PLUGGING THE PATRIARCHS—When Schenley and Seagrams almost simultaneously this week launched new dollar whiskey blends, old-time distillers had their day. Harry Wilken (43 years in the business) with his family carried the load for Schenley. Seagrams welcomed to the presidency of its new subsidiary 80-year-old Julius Kessler, president of the pre-prohibition National Distillers Corp.

William, Gertrude, and son-in-law Tom McConnell, all happily employed at the Schenley plant.

Although advertising men may have seen something humorous in the situation, distillers weren't amused; they were too much worried about what might happen to established brands and price lines in the low price liquor field.

Mass Market Was Foreseen

Back 18 months ago when Utah came crashing through with the last needed votes to make repeal a reality, it didn't require any special kind of genius to realize that the big market for liquor was going to be a mass market, that prices had to be kept low if business was going to be diverted from the bootlegger into legitimate channels. One other assumption seemed to be a reasonable one: the public would prefer a cheap straight whiskey to an equally cheap blend, for in the buyer's mind "blend" and "cut" were synonymous. The fact that before prohibition more than 75% of all whiskey was blended wasn't expected to count for much.

And it didn't. In the first mad rush to the retail liquor counters, customers plunked down a dollar bill and demanded a pint of straight whiskey.

Plenty of Dollar Pints

There were scores of distillers, some purely local and some with national ambitions, who were ready to supply that demand. Such brands as National Distillers' Crab Orchard and Rewco rapidly began to appear as favorites in the dollar-and-under price class. More recently, Schenley's Old Quaker at \$1.09 has forged to the front with total sales reaching toward the 25-million mark. In the slightly higher price class, Seagrams' 5-Star, Schenley's Golden Wedding, and National Distillers' Windsor brands proved popular.

Long before the first year was out, however, several notable facts became apparent. (1) The mass liquor market, as distinguished from that which could afford better grade goods, was far more important than expected; currently, it is estimated that 70% of all whiskey sold is in the dollar bracket, and to this total consumption must be added millions of gallons of low-priced bootleg products; (2) the public was being educated to accept blends at a much faster rate than had been anticipated. And convincing evidence that a good tasting blend could be produced to sell in the dollar range, despite higher rectifying taxes, was supplied in the amazing performance of the Continental Distilling Corp.'s Sweepstakes brand.

More recently, however, trade observers say that Sweepstakes has faded rapidly, as the unpredictable public taste has switched to one after another of the hundreds of cheap blends on the market. Practically the only concentrated effort to marshal this buying

power behind any particular blend is being made by National Distillers for its Brigadier blend and, in a higher price class, by Frankfort Distilleries for its Four Roses and Paul Jones brands.

All of which serves to explain the coincidental debut this week of the new Schenley and Seagrams products, both hoping to win the allegiance of old Sweepstakes drinkers. Seagrams, through its subsidiary, Julius Kessler Distilling Co., is offering two brands, the Kessler Private Label and Kessler Preferred. As distribution expands beyond New York, both Schenley Wilken Family whiskey and Kessler's Private Label will continue to be priced so that they will retail at no more than \$1, despite state taxes. The Preferred Label will run about 15¢ more.

Techniques Are Different

Although both companies are stressing the authenticity and quality of their products as guaranteed by the experience of the distiller, first advertisements this week reflected notable differences in copy technique. Schenley pushed its Wilken Family brand with a nice folksy touch, "It's our family's whiskey, neighbor—and neighbor—it's *your* price." With the help of congratulatory notes from such celebrities as Jack Dempsey, George M. Cohan, Daniel Frohman, and others, Seagrams' Kessler division celebrated the return to the business of a patriarch—one who, as president of the old pre-prohibition National Distillers, had played a leading rôle in what used to be called "the whiskey trust."

Buses Pay Better

Profits come from more traffic and more miles per bus.

Bus companies took in more money in the first half of this year than in the same period for 5 years back. Many carriers show 15% to 20% increase in operating revenues and have made substantial operating economies. This has brought a high net return per bus on investments. Revenue per bus mile, however, seems to have hit its peak, for rates of fare are decreasing more than increased traffic can balance.

Most inter-city bus companies are using smaller fleets to give the same service by running the buses more miles. Buses average 33,396 miles each in 1935 and 31,580 in 1934. Passengers paid on the average of \$64.07 this year and \$61.75 in 1934.

In city traffic fewer buses are running per mile of streets traversed, and revenue per mile of street is lower. Operating costs are higher. But net operating revenue per bus is up 2%. Buses earned \$335 each and taxes took 8.5% of it. For the whole industry taxes figured 32.98% of total net.



Dayton Department Store, Minneapolis.

RETAIL STORE PROFITS WITH MODERN HEATING

Webster Moderator System Heats
All Zones Perfectly in Dayton
Department Store

MAINTAINS SET TEMPERATURES

Minneapolis, Minn.—The Dayton Department Store—one of the largest retail stores in the entire northwest is securing remarkably improved heating service as the result of a Webster Heating Modernization Program carried out in the fall of 1931.

For four years, through some of the coldest winters in Minnesota history, the Webster Moderator System has given the Dayton Store complete "Control-by-the-Weather."

Modernization of the Dayton Company buildings, which consisted in changing the mixed vacuum and gravity system to full vacuum operation, was completed without interrupting store operations.

The buildings vary from three to ten stories in height and have a total floor space of 500,000 square feet. Frequently, under the old system, certain portions of the store were underheated while others were too hot.

Since the application of modern central heating control to the Dayton Company buildings, temperature readings taken from a central location four times daily indicate that all store zones are perfectly heated even during the severest weather. Following is the record of a typical day, indicating how various departments are kept at the temperatures desired:

Temperature Record, Nov. 6, 1933				
Floor	Dept.	10 a.m.	11 a.m.	12 M.
Base.	Softs	68	69	70
Base.	Hardware	74	74	75
Main	Gloves	67	68	69
Main	Dress Goods	71	71	72
2nd	Infants	66	68	69
2nd	China	72	73	74
2nd	Bronze	68	69	70
5th	Victrolas	67	67	68
5th	Rugs	66	67	68
6th	Furniture	63	65	66
7th	Buyers' Office	71	74	74
	Outside	54	55	55

Webster Heating Modernization has been equally effective in scores of other department store installations, among them the Donaldson Store, also in Minneapolis, the Golden Rule Store, in St. Paul, and the L. S. Ayres Department Store, in Indianapolis.

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address

WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 60 principal U. S. Cities—Estab. 1898



BAGGAGE BELOW DECKS—To keep chair cars from being cluttered up with luggage, to conserve space and increase passenger comfort, the Canadian National Railways develops a new type chair with storage compartment for 1 suitcase.

Two Labor Pots Are Boiling

International auto union opens first convention Monday in Detroit, and A. F. of L. leaders face rank-and-file revolt. Waterfront unions on Pacific Coast vote on renewing contracts. Bridges may lead great strike.

BUSINESS awaits 2 important events in the labor movement, scheduled for next week.

One is the first constitutional convention of the United Automobile Workers of America, which will gather in Detroit Monday, and receive a charter from President William Green of the American Federation of Labor. The other is a completion of a vote by unions in Pacific Coast ports, which may determine whether a great waterfront strike shall begin at the end of September.

For a United Motor Front

The Detroit convention will signalize the start of a united movement by orthodox organized labor to unionize the automobile industry. The vote in the Pacific Coast ports may lead to a strike in which orthodox organized labor will join with organized business to suppress a spreading radical movement led by Harry Bridges, who forced the general strike in San Francisco last year.

The preliminaries of the Detroit convention have been arranged by the A. F. of L.'s general organizer in the auto-

mobile industry, Francis J. Dillon, a stocky man who last May forced a settlement of the General Motors strike at Toledo down the throats of left-wing local leaders.

Hitherto the local unions, each directly connected with the A. F. of L., have been absolutely independent of each other. Now they will all be organized in an international union, through which they will be connected with the A. F. of L., and which will be on industrial instead of craft lines.

The convention may not be a cut and dried affair. For in the local automobile unions, as in other industries (notably steel), there is an insistent demand for a democratic management, quickly responsive to the demands of the members, instead of the bureaucratic management that prevails in most unions. This "rank and file" movement, as it is called, will conflict with the efforts of Green and Dillon to establish a new bureaucracy in the saddle of the international and then to keep it there indefinitely.

Although the A. F. of L. leaders claim more members in the industry than they had a year ago, manufacturers deny this and think they can avoid serious labor difficulties in the near future. For the first time in several years, thousands of automobile workers will get 10 to 11 months of steady employment at high wages, and many of them will work longer hours (though some companies have announced that even in peak times they will keep within the 48-hour weekly maximum allowed under NRA). Employers say that workers, under these conditions, will not strike; union leaders answer that increasing employment gives labor increasing confidence.

Wagner Act up Their Sleeve

After the new international has been organized, it will try to assert the right of collective bargaining that is promised in the Wagner Labor Disputes Act. So far the unions have won little recognition from the Big 3—General Motors, Ford, and Chrysler.

An independent union, the Mechanics' Educational Society, has lost membership after several unsuccessful strikes, the last one an attempt in May to tie up Packard. The Automotive Industrial Workers Association, which the Rev. Charles E. Coughlin has endeavored to take under his wing and use against the A. F. of L., is largely confined to the Dodge plant. There is a considerable belief that Father Coughlin may fade out of the union picture soon.

On the Pacific Coast the situation is much more dramatic. The waterfront employers were to have announced on Aug. 20 whether they would renew the agreement made with the unions after the San Francisco general strike last year, and due to expire Sept. 30. But at the request of the district council of the International Longshoremen's Association, they extended the deadline 10 days to let the union members finish a vote on renewing the contract.

Look for Government Aid

The employers are willing to cooperate with Joseph P. Ryan of New York, the husky international president of the I.L.A., in preventing labor trouble. They have been given reason to expect that Assistant Secretary of Labor Edward F. McGrady, himself a former A. F. of L. official, will throw the influence of the government to their side in the event of a conflict with Bridges and his radical followers.

Bridges, the Australian-born radical, a youngish, slim man with large, gazelle-soft eyes, has organized a unique setup. He is the president of the San Francisco Bay district local of the longshoremen's union. Also, he is the president of the San Francisco District Council of the Maritime Federation of the Pacific—an independent federation, unconnected with

the longshoremen's international, the International Seamen's Union, or the A. F. of L.

Organized last May, it includes local unions of longshoremen; marine engineers; masters, mates, and pilots; seamen; and crafts affiliated with the Seamen's Union. It has no contracts with the employers, but it affects its membership's attitude towards contracts.

Just Scraps of Paper

A number of ships have been tied up at various ports, chiefly San Francisco, by the refusal of seamen and longshoremen to unload their cargoes, which had been loaded by strikebreakers at Vancouver, where there has been a strike of longshoremen not affiliated with the A. F. of L. The employers charge violation of contracts; Bridges has said publicly, "When it comes to a question of violation of agreements, or unity of labor, the agreements must come second."

Bridges has forced shorter hours and higher pay at Pacific Coast ports, and is understood to have invited a committee of longshoremen in New York and New Orleans to come to San Francisco and work on the docks, so that they may go back home and sell the Maritime Federation to their co-workers.

Manifestly the Maritime Federation is a threat to the longshoremen's and seamen's internationals. If the employers are forced to sign contracts with it, the A. F. of L. will lose its influence among Coast waterfront workers. But the A. F. of L. is threatening to revoke the charters of the radical locals and the employers are determined to fight the Maritime Federation to the limit. A great waterfront strike at the Coast ports was predicted by an American speaker at the recent congress of the Communist International in Moscow. There is undoubtedly a strong communist influence in the radical unions, and the employers hope for governmental co-operation in their fight.

Re-wired Radio

A pre-depression project, wired radio sans static, sans advertising, steps out in Cleveland.

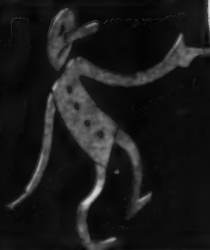
RADIO fans who tear their hair when the announcer breaks in with a snappy travelogue on "Through the Colon with a Prune" can take heart; "wired radio"—that old vision of entertainment on tap—has survived the depression and is getting into action.

Originally the idea was a dream of the late Erwin C. Gruel, who was a musician and, as president of the North American Co., a prominent figure in the utility field. The technical equipment was developed for broadcasting over either electric light or tele-

THIS LAMP GIVES YOU A FULL DOLLAR'S WORTH OF LIGHT FOR EVERY DOLLAR'S WORTH OF ELECTRICITY




THE SAME DOLLAR'S WORTH OF LIGHT MAY COST YOU \$1.50 IF YOU USE THIS "BARGAIN" BULB



ARE YOU GETTING YOUR MONEY'S WORTH?

A marvelous scientific instrument... the electric eye... definitely proves that Edison MAZDA lamps stay brighter longer than lamps of inferior make... that they actually give far more light for every dollar's worth of electricity consumed.

Inferior or "bargain" lamps often use \$1.50 worth of current to produce a dollar's worth of light. Such lamps are no bargain at any price.

Play safe when you buy lamps. Look carefully for the monogram  on every bulb you buy. Then you are sure you are getting good light at low cost. General Electric Company, Nela Park, Cleveland, Ohio.

100-WATT WAS 25¢
now 20¢
150-WATT WAS 30¢
now 35¢
200-WATT WAS 40¢
now 55¢
300-WATT WAS 45¢
now 90¢
500-WATT WAS 12¢
now \$1.15

EDISON MAZDA LAMPS

GENERAL ELECTRIC

They stay brighter longer

phone wires, a plan was worked out for renting receivers, artists were signed up, music copyrights purchased. Experimental broadcasting was started in Staten Island and Cleveland.

Then came the Wall Street whirlwind and wired radio lay down in a safe place like a lot of other people. But, meanwhile, sponsors of the plan kept on with technical research and the acquisition of music rights.

Catchings and Connick

Now the light flashes green. And Waddill Catchings, formerly head of the Goldman Sachs Trading Corp., and Harris D. H. Connick, board member of Paramount-Famous-Lasky Corp., are going ahead with what they call their "musak process." Respectively, they are vice-president and general manager in the new North American Co. venture.

Philco makes the receiving sets to take programs off the power circuit instead of the usual antennae. Monthly rentals will range from \$1.50 to \$4.50, all equipment being provided. Three simultaneous programs will be available on the same wires—(1) dance music; (2) lectures, news, symphonies, church; (3) a cross between (1) and (2). Later, there will be special services to provide uproar for restaurants and sporting news. Contract has just been signed with the American Society of Composers, Authors and Publishers.

North American Co. has a working accord with 27% of the power companies and the Bell Telephone System. Wired radio service charges will be collected with the regular monthly bills for light or phone services. Either set of wires may be used according to local arrangement. Programs will be continuous from 7 to 1 A.M.

Standard Tubes Used

The technical problem has been well licked. Standard tubes are used and serviced by the company. Wired radio has purchased so many patents for all types of radio equipment—largely from engineers in the U. S. Army, Navy, and Bureau of Standards—that it apparently has been able to trade with the prevailing powers of broadcasting and remain free from conflict.

The great problem is public response. Will John and Mary and the kids be content to take what comes in three programs or will they prefer to twiddle the dial and pick from 57 varieties, —with advertising.

Another Eagle in Danger

THE Blue Eagle is dead as a door nail. Extinction threatens an older national trademark, the great American eagle itself. The Senate has passed a rescue measure. Anyone harming or trafficking in eagles (whether quick or dead) would be subject to fine and imprisonment. The little fellows (rabbits and other eagle food) won't relish this measure any more than defenders of the little business relished the Johnson blue bird.

Movie Epic

Latest episode in the Fox Film melodrama is a stockholders' meeting which votes a merger with 20th Century.

ANOTHER stirring episode in that interminable movie melodrama, "Perils of Fox Film Corp.," was enacted in New York last week. Stockholders, by a mountainous majority, voted the merger of Fox with 20th Century Pictures. A small but furious minority persists in court actions which must be settled before the marriage is consummated and the final fadeout registered.

The nuptials were a tribute to the matchmaking genius of Chase National Bank. Under former chairman Albert Wiggin, Chase blasted William Fox out of control of the company. While Fox fumed and threw rocks, the deepening depression made Fox Film into Chase's No. 1 headache. The merger dovetails nicely, should be one of the strongest combinations in the field. Fox Film's production, distribution, theaters are bolstered by 20th Century's ability at turning out box-office hits.

The merger carried by approximately 2 million shares to 2,000. Had Mr. Winfield Sheehan remained in the fight the opposition score would have been more imposing. This round-faced, ex-New York newspaper reporter showed himself a master picture maker when Fox put him in charge of Hollywood production in 1926. During the storms that engulfed Mr. Fox, Winnie Sheehan

proved that he was also a Machiavelli at company politics.

In 1932 Chase made Sidney Kent, hard-driving movie sales executive, president of Fox Film. Friction between New York and Hollywood grew to the point of visible sparks. But at the West Coast the urbane Winnie remained supreme. First announcement of the merger threw the film industry into a state of acute anticipation.

A Zanuck for a Sheehan

Twentieth Century Pictures was Mr. Joe Schenck and Mr. Darryl Zanuck. Mr. Zanuck was the production man. Under him the 2-year-old 20th Century had ground out a succession of box-office smashes. He is a perfect Hollywood product. The Zanuck schooling stopped at the 8th grade. In directing pictures, he trumpets through the megaphone in a state of controlled hysteria and he submits to no dictation by the grammar in his use of English.

The merger setup put Zanuck one chop above Sheehan. Hence Hollywood's hope for a lovely shindig and the Fox minority stockholders' hope for leadership by Sheehan, who held a large bale of Fox shares. But the plot shifted. The majority faction considered the bumps and confusions received from Mr. Sheehan in previous skirmishes and



TRUCKING CZARS—With bus and truck control now the law of the land, Joseph B. Eastman (right), Federal Transportation Coordinator, seeks to tame another industry long regarded as a real wildcat. As director of the Interstate Commerce Commission's new Bureau of Motor Carriers, John L. Rogers will crack the rate whip.

bought him off. Price of the cancelled Sheehan contract was put as high as \$475,000, but that is unofficial.

Instead of leading the charge of the irreconcilables, Mr. Sheehan went and got himself married. His bride was none other than the Baroness von Poepper de Podhragy, who in public life is Maria Jeritza, operatic prima donna. Here was an unexpected merger with exciting implications. Mr. Sheehan hates music and doesn't care for airplanes; Mrs. Sheehan is extremely fond of both and is famous for expressing her preferences in a fiery manner with gestures.

Hard on Cooling System

After this intervention of Cupid and the (unofficial) \$475,000, Fox minority stockholders didn't have a Chinaman's chance at the merger meeting. The gathering was held in the private theater at Fox's New York headquarters. This is a golden chamber combining the more striking architectural features of the Moorish, Aztec, and neo-Hollywood with the aurora borealis. About 80 persons attended. There was a sprinkling of women. Mr. Kent presided—and how! The cooling system was stepped up a couple of notches, perhaps to keep irate stockholders below the boiling point. In this it failed.

The opposition was licked before it started, but it relieved its feelings. One man called the merger "infamous." It didn't do right by Class A shareholders. Twentieth Century got too much of a break. The terms promised were overgenerous to Messrs. Kent, Schenck, Zanuck. A lady with a New England jaw rose to remark that she had walked up 5 flights of stairs to the meeting. Employees on all floors were "doing anything but working." She had wit-

nessed an appalling waste of money on the Fox Hollywood lot where a minion had told her to "get the hell out" and tossed her off a porch.

When they were all through, Mr. Kent unfolded his tall form from his chair and leaned across the table. "I'll answer the objections one by one," he began. As he talked, he rose on his toes to emphasize important points.

Mr. Kent Explains It All

He said that when he came into the company it was one awful mess. A reason for the merger was creation of a new name that would take some of the smell off the old. The fact that the new setup allowed top executives several times more salary than President Roosevelt gets had nothing to do with the case. The President couldn't produce pictures. Without competent executives (such as 20th Century was bringing into the organization) he wouldn't give a dime for the company. He paid Will Rogers \$8,000 a week (Rogers crashed to his death a few hours later) because the company made money out of him. He then explained the merger terms in detail, the steam roller went into gear, and the opposition was flattened.

The new 20th Century-Fox stock is reclassified into 1,500,000 shares of preferred, 3,100,000 common. For its share 20th Century gets 132,513 of the preferred, 613,264 common. Mr. Kent receives \$2,500 a week (and other considerations, including stock purchase options) as president; Mr. Schenck receives \$2,500 a week as chairman; Mr. Zanuck gets \$5,000 weekly as production chief, which seems to be his regular working wage.

The merger has started rumors of other movie consolidations, but so far they remain in the conversational stage.

Research Job

Can company's setup to test new ideas, correct flaws in old ones, and promote general demand for tin containers makes case study in modern marketing.

RECENT clashes between the bottle and its ancient enemy the tin can in the motor oil and beer container field have drawn attention to the research methods of huge American Can Co. Experiments travel in both directions from the can. They include analysis of what goes into the can, behaviorism while there, marketing devices, condition of contents when they meet the consumer as well as chemical reactions of the metal. Results benefit the can industry as a whole.

Research headquarters are at Chicago. There are 48 separate laboratories and a force of 130 men. Much publicity at-

tends such dramatic shifts as the tinning of automobile motor lubricants. Public fancy likes to think of wild-eyed strangers rushing in with ideas which revolutionize packaging. The wild-eyed genius is a myth.

The most important work of the laboratories is the correction of troublesome problems in industries already addicted to tins. Developments usually come from men in the company. Outsiders do make suggestions, but most of them are crackpot. One volunteer rushed in with the inspiration of canning turnips and the announcement that he was going to become the nation's turnip-



What Joe Needed was CASH!

One friend said: "Aw, cheer up, Joe, every cloud has a silver lining."

Household said: "Here's two hundred dollars, Joe. Here are booklets on buying that show you how to make dollars go 20 per cent further. It will only take half that, or 10 per cent of your monthly salary, to pay back both principal and interest on this loan."

What are empty phrases and thoughtless advice to a man who's up against an unexpected emergency? What "Joe" and his family need is cash. Household Finance Corporation is the place he can get it, without collateral, without anyone's signature but his own and his wife's.

With cash in hand to take care of his emergency, Joe's mind is at rest. He and his wife can then give careful attention to scientific advice that will show them the way out of the rut. They can read, study and follow our budget charts, buyman's booklets, lessons in managing family finances—and begin to live again. Mark Twain said: "Bacon and eggs are a great aid to the enjoyment of scenery."

If a loan of money is indicated as an aid to restoring a family's financial health, we advance cash. We are the "Doctor of Family Finances" to a vast multitude—350,000 last year. Our loan eases the immediate crisis, our money management service is designed to help to maintain the family's financial health in the future.

Household Finance Corporation is a social and financial service, operating under state laws in 114 American cities. If you want to find out how the working man can make money his servant, instead of himself being the slave, just write: "Send me your booklets" on your business letterhead. Or use coupon below.

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Please mail me, absolutely FREE—the new-type budget calculator, "MONEY MANAGEMENT FOR HOUSEHOLDS" and sample copy of your "BETTER BUYMANSHIP" booklets.

Name

Street

City State

king. The research department opened a can of turnips (one item of hundreds under observation). The would-be king took a whiff of the contents and abdicated. An outside idea that was accepted for experimentation was canned squab. A pigeon grower wanted to market his surplus in tin, with cans made to fit. Whole birds fitted to tins was nothing new. Greely took tinned turkeys and chickens to the Arctic in the 80's. But the squab idea looked good and American Can developed it. It failed, because costs were \$1 a can.

Many Kinds of Experiments

Bulk of the work is experimentation on canned foods. The company has its own soil and seed experts who cooperate with the experimental departments of state universities. Typical result is the special family of peas for the soil and climate of areas in Wisconsin and New York. It is bred for its canning virtues. The Chicago experimental plant includes complete equipment for canning meat and vegetables. A thousand guinea pigs and white rats cooperate in testing processes for retention of vitamins.

The present tomato juice demand is depression born. American Can worked 4 years on this product. Results helped dictate the design of canning plant equipment. A Mid-West firm manufacturing a hand potato masher was shown how to adapt its idea for processing tomatoes for juice.

American Can doesn't usually design special plant machinery but it did develop the machine which fills and closes its new fiber milk container.

Recent example of American Can's thoroughness is the cautious debut of its beer can. The idea was in the works 7 years. Byrd carried canned beer to the Antarctic in 1933 but not till this year did the real job of marketing research begin. Canned beer was released for one brewery (Krueger's, Newark) and retailed in one city. Richmond, Va., was chosen because it is a notoriously tough market for beer and January was picked because it is the low month in demand. For 6 weeks results were checked. Thence the radius was gradually widened to include all of Virginia and later other states. With its use by Pabst, canned beer has gone national—and incidentally provoked a throw-away beer bottle (BW—Aug10'35) by Owens-Illinois Glass Co.

Rural Plumbing

MASTER plumbers through their national association have started a drive against the pensive farm outhouse which made Chic Sale famous. Suppliers have cooperated in planning complete electric water and bathroom installations under \$490, the money to be supplied through the government's Rural Electrification Administration. Quantity economies would be obtained by grouping all farms on a power line into a purchasing unit.



TUNNELING IN REVERSE—To bore the world's largest tunnel, engineers of the San Francisco-Oakland Bay Bridge evolved a new technique: they built the tunnel, then excavated it. First, 5 bores, 2 on a side and 1 at the crown, were driven; then the horseshoe-shaped excavation was blocked out, lined with steel and concrete; finally, the steam shovel got into action. Double-deck vehicular traffic will pass from the bridge into this tunnel through mid-bay Yerba Island.

Regimented Potatoes

Newest members of basic commodity family need control, but AAA will have sweet job applying it.

SOLANUM TUBEROSUM (white potato) is now a member of the basic commodity family, that group of incorrigible children whom AAA is teaching manners.

Potato farmers have Representative Warren (Dem., N. C.) to thank for the new law. He tacked it onto the AAA amendments in the face of the most serious opposition in the entire farm bill skirmish. It provides for a national sales quota of potatoes, established by the Secretary of Agriculture. This will be apportioned among the states, and cut up to fit each grower.

The procedure, patterned somewhat after the cotton and tobacco schemes, is the simplest of them all. The farmer may grow all the potatoes he likes, but he may sell only as many as his allotment stipulates, unless he wants to pay the prohibitive tax of 45¢ a bu. that applies to all sales above individual quotas. By this device it is hoped to keep commercial quantities on the market within what the Secretary believes will be reasonable limits.

AAA did not want the potato bill. Officials said so frankly. There are 3 million potato growers in this country, but only 30,000 of them grow potatoes on more than 10 acres. Thus the idea

of policing marketings in excess of allotments and of enforcing the tax is appalling.

Admittedly potatoes have been experiencing the toughest of tough times. With cotton and tobacco acreage curtailed, North Carolina farmers utilized their idle land to grow tubers. The same thing happened in other states where farm acreage had been clipped by AAA rules. The result was more potatoes at a time when Maine suddenly burst out with a bumper crop (BW—Jun29'35). The outlook this year is very little better, with considerably more than a 5-year average crop in the making.

Hard to Visualize

The produce trade is boiling with curiosity. It cannot visualize the policing of nearly 3 million little growers or the unraveling of the identification snarl that is promised when AAA begins to apply tax exemption stamps and tax stamps to potatoes that require loose storage for best keeping.

But if these hurdles are cleared, and if constitutionality is upheld, a comeback in the price of potatoes may be the result. From the standpoint of the farmers this would be pleasant. It would also be pleasant from the standpoint of a sympathetic Administration whose feelings are touched by the sight of Maine potato growers selling their crops at half the cost of production in a political key state.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

A NEW type of oil well casing, now made by the A. O. Smith Corp. by a patented process, is represented as having unprecedented tensile strength, which enables it to resist higher pressures of earth and water and thereby permits penetration to greater depth than was previously possible in drilling for oil.

THE new electric "eye," offered by Hugh H. Eby, Inc., has low internal capacity, is highly sensitive, operates on either a.c. or d.c. current, is available either alone, in complete assemblies containing cell, relay, tube, resistances, socket, etc., or in handy kits for home or laboratory experimentation. It is moderately priced.

BOSTON WOVEN HOSE & RUBBER CO. announces that its line of BWH transmission belting is now made by a new patented process of continuous vulcanization which results in belting of uniform stretch regardless of length and insures longer service.

FOR dealers and service men in the electrical, radio, and automotive fields, the Apparatus Design Co. offers a new portable instrument which combines condenser, vibrator, and tube testing and handles all types of tube including the new G-E metal tubes.

MILLER CO. announces a completely new line of reflectors for commercial and industrial utilization of the new high-intensity mercury vapor lamp. No special wiring is necessary to make the change from incandescent to mercury lamps, but for certain voltages a reactor or a special transformer is required. Where both types of lamps are wanted, combination fixtures are available.

FOR dealers who cater to rock garden enthusiasts the Decatur Pump Co. provides a sales builder in the new Burks self-priming rock garden pump. It is designed for recirculating water for fountains and waterfalls, is operated by a 1/6-hp. motor, handles 80-190 gallons per minute depending upon required lift, is easy to install and sells at a popular price.

GENERAL CABLE CO. offers a new flexible lamp cord in which the parallel conductors are covered with all-rubber insulation that is provided with a so-called parting guide which permits the separation of the two conductors by a simple pull and thus materially facilitates the process of connecting the cord to fixtures, plugs, etc.

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These various Neenah papers are all available through your printer. You can find inspiring samples and practical ideas for letterheads in the various Neenah booklets, portfolios, and folders. Your name will be added to our mailing list for this material if you request it on your business stationery. Address Neenah Paper Company, Neenah, Wisconsin.

Cross-Sectioning Another Market

Fargo, N. D., is second city analyzed by Department of Commerce for benefit of sales manager.

AFTER Austin, Tex., comes Fargo, N. D.—that's the order in which the Department of Commerce has looked into family incomes and buying habits of citizens of representative cities (*BW*—Jul 20 '35). Portland, Me.; Columbia, S. C.; and Salt Lake City are the next cities on which reports will be made.

Fully 21% of the families of Fargo submitted to fishbowl examination of their household accounts in 1933. Results, typical of the town, are as follows:

Income: Range from 0 to over \$15,000; 34.4% fell in the group under \$1,000, 55.4% in the class \$1,000-\$3,000, and 10.2% of all families had incomes of \$3,000 or more.

Houses: Wood is used by 78%; stucco by 18%; brick by less than 3%. Other materials are used by 1%. But among those with incomes of \$7,000 or more, 29% live in wood homes, 57% in stucco.

Rent: Ranges from \$238 per year for those with no income to \$637 per year for those having \$5,000-\$6,999. There were no renters among those earning over \$7,000.

Heating Apparatus: Central heating plants are found in 90% of the homes; warm air types in 60%, hot water in 27%, steam in 3%. Among those with incomes over \$7,000, the split between warm air and hot water types is 50-50.

Heating Fuel: Coal is used in 87% of the homes; oil in 12%, wood in 1%. Among the well-to-do (\$7,000 and over), oil is used by 86%.

Cooking Fuel: Gas is found in 86% of all Fargo homes, electricity in 0.1%. The rest use wood or coal.

Lighting Fuel: 99.7% use electricity.

Bathrooms or Showers: About 12% of the families had no installed bathing facilities. Most of these were low-income families—less than \$1,000. Less than 2% of Fargo families had the luxury of 2 tubs. Among those above the \$7,000 level, 14% had 2 tubs and another 14% fell in the 3 or more tub class.

Mechanical Refrigeration: Here income is a definite guide to consumption. Families with mechanical refrigeration accounted for 28% of the families; those without for 72%. In the top layers—above \$7,000 again—86% possessed such refrigeration, and 14% did not. But the largest number (not percentage) of refrigerators were among the \$2,000-\$3,000 group.

Automobiles: Almost 61% of the families possess 1 car; 38% have none. There are almost 2½ as many car-owning families as refrigerator-owning families.

Even one-third of the families with incomes below \$500 have a car of some sort, probably much-used, or left over from better days. The largest proportion of one-car families falls in the \$3,000-\$5,000 income class; the largest number of car users in the \$2,000-\$3,000 group.

Midget-Money Blues

States need sales-tax change, but tokens are declared illegal, and Congress shelves proposal for fractional U. S. currency.

"To defy the bureaucrats in Washington and put the issue up to the Supreme Court," said Representative Christianson (Rep., Minn.), last week, when, at a meeting of the House Coinage Committee, he was asked by Forrest Smith, state auditor of Missouri, to advise him what to do in view of the assertion by Secretary of the Treasury Morgenthau that sales-tax tokens are a violation of the federal government's exclusive right to coin money.

But Mr. Smith might reasonably wonder whether Attorney-General Cummings wouldn't get a federal injunction

to prevent the circulation of the Missouri tokens, and whether that wouldn't leave Missouri in a hot spot. Similar qualms were troubling Knowlton L. Ames, Jr., Illinois state director of finance, whose 1½-mill pieces somewhat resemble a dime.

However, in Colorado, Secretary of State Charles M. Armstrong declared that the issuance of 5 million tokens would begin Sept. 1. And Chairman H. H. Hanford of the state tax commission of Washington, where millions of 2-mill tokens are in circulation, insists they are legal.

What Missouri finally did was to order 150 million discs, like cardboard milk-bottle caps, printed in 1- and 5-mill denominations, at a cost of \$520 a million. The discs will be used as sales-tax tokens, on the theory that metal tokens may be illegal but cardboard tokens are not.

The Missouri 1% sales tax is expected to produce \$10 millions annually for old-age pensions and unemployment relief.

Left to Mr. Cummings

Half the states have sales taxes and many need means of making fractional change. Congress faced the problem: whether to let the token states fight the matter out with Attorney-General Cummings, or adopt Morgenthau's proposal for federal coinage of one-mill and half-cent pieces.

But midget money, Tom Thumb money, cootie coins (these are some of the names so far) would be a nuisance



NEW DEAL DOLLAR—For the first time, both the face and reverse of the Great Seal of the United States will be engraved on our currency. Thus will the new \$1 bills bear witness to the fact that the Revolutionary fathers actually envisaged a new deal. Director Alvin W. Hall of the Bureau of Engraving and Printing points to the Latin inscription "Novus Ordo Seclorum"—a new order of the ages.

and sometimes a hardship for many people, especially banks, bookkeepers, accountants, merchants, and manufacturers of cash registers, adding machines, and other computing devices. The fractional currency scheme was shelved in committee. So now Homer Cummings has a difficult problem for a patient, tactful man. How can he crack down on the token states without making anybody angry?

Textile Plan

British blame bank owners for lack of initiative in modernizing textile mills; hold spindle scrapping law futile.

LONDON (Special Correspondence)—During the Parliamentary recess, opposition is likely to develop to the cotton industry bill (BW—Jul 20 '35), which proposes to scrap 10 million redundant Lancashire cotton spindles at an estimated cost of £2 millions—scrapping about one-quarter of the industry's plant. It is argued that, since 1932, over 9 million spindles have gone out of operation by natural means without providing any increase in trade. In 1932, a government scheme to buy out a number of spindles and redundant machinery at a cost of between £2.5 millions and £4 millions was rejected by the cotton industry.

Opponents of the cotton bill point to the slow recovery in shipbuilding. In 1930, the National Shipbuilders' Securities Trust, Ltd., was founded by the Bank of England to secure the "elimination of redundant and obsolete shipyards." It has since bought (at undisclosed cost) 125 shipbuilding berths with a capacity of about 1 million tons of shipping annually, but the effect on the industry has not been marked.

More Spending Needed

Many critics of the cotton bill agree with the chairman of Platt Brothers (machinery makers), who said a year ago that Lancashire's trouble was refusal to spend money on better and more modern equipment. He charged that for 15 years Lancashire has not spent on re-equipment any sum worth mentioning, but that with proper financing she could install machinery which the Japanese could not use and which would make Britain again a successful competitor. Reply is that Lancashire cannot hope for new financing until it has rationalized, and the first step to rationalization is to scrap redundant plant.

The trouble is long and deep-seated. Lancashire mills grew haphazard, being often owned by groups of operatives. In successive waves, they have been recapitalized far beyond their earning power. The slump of 1921 sent most



GENERAL MILLS, INC.

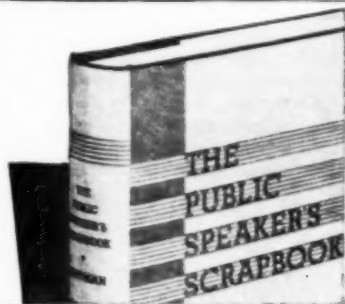
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August 13, 1935
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(Signed) KARL E. HUMPHREY,
Treasurer.



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AUTOMOTIVE RECOVERY CONTINUES

Six Months 1935 Compared with Six Months 1934

PRODUCTION... United States and Canada (6 Months)	TOTAL FOR 1935 PERIOD
Passenger Car Shipments	+53% 1,962,819
Motor Truck Shipments	+25% 410,845
Ford World Output	+58% 846,504
General Motors World Dealer Sales	+10% 888,560
Chrysler Corp. Shipments	+25% 487,157
RETAIL SALES (In United States) 6 Months	
Passenger Cars, New	+47% 1,461,940
Commercial Cars, New	+30% 234,364
AUTOMOBILE FINANCING (In United States) 6 Months	
Dealer Wholesale Shipments	+21% \$774,192,895
Retail Sales, New and Used Cars	+26% \$573,082,095
Average Retail Finance Note	Unchanged \$369
AUTOMOTIVE EXPORTS (From United States) 6 Months	
Shipments, all Automotive Products	+14% \$192,771,192
Complete Passenger Cars and Chassis	+23% \$53,164,607
Complete Trucks, Buses and Chassis	+3% \$23,817,926
Parts for Assembly	+10% \$27,014,398
Parts for Replacement	+15% \$15,323,078
Accessories	+8% \$1,874,699
Garage Equipment	+60% \$2,003,090
Tires and Tubes	-6% \$6,154,227
AUTOMOTIVE EXPORTS (From Canada) 6 Months	
Cars and Chassis	+47% 25,915
Trucks and Chassis	+23% 7,551
PARTS, EQUIPMENT, ACCESSORIES - 6 Months	
Original Equipment Shipments	+14%
Service Parts Shipments to Wholesalers	+7%
Accessory Shipments to Wholesalers	+37%
Garage Equipment Shipments to Wholesalers	+11%
MOTOR FUEL CONSUMPTION - 5 Months	
Daily Average Use of Gasoline	+3% 41,476,000 Gal
TIRES and RUBBER - 6 Months	
Raw Rubber Used in All Plants	+1% 235,815 Tons
Pneumatic Gasings Shipments	-4% 23,008,660
Pneumatic Gasings Production	-4% 25,172,912
LABOR and EMPLOYMENT - 5 Months	
Employment in Automotive Factories	+19%
Payrolls	+25%
Per Capita Weekly Earnings	+12% \$27.36
Average Hours Per Week	+5% 38.4 Hours
Average Hourly Earnings	+5% 71.0¢
EXCISE TAXES (United States)	
Fiscal Year Ending June 30, 1935	
New Trucks	+22% \$6,156,070
New Passenger Cars, Motorcycles	+17% \$38,003,336
Parts and Accessories	+13% \$6,455,855

© The American Automobile Association

MOTORS ON THE MEND—Evidence of continued automotive recovery is supplied in these statistics assembled by *The American Automobile*. Only the tire trade, as indicated by reports for 97% of the industry, lags behind last year. Figures for car financing cover only 456 companies; totals in all other classifications are complete. Gains in the parts business and increases in factory employment and payrolls are computed on index figures; hence, no totals are available.

of them into the hands of the banks, which do not want to lose these frozen assets. Frank Platt, chairman of the Lancashire Cotton Corp., has done much to merge various mills, but he has not overcome (a) the resistance of the old type mill owner to sinking his little identity, and (b) the complicated own-

ership due to virtual mortgage to the banks.

Behind the bill is the hope that, once it is through, new financing may be arranged by the Bank of England through the Lancashire Cotton Corp. and new machinery installed—but this is a hope and not a promise.

Strategic Retreat

France starts moving industries away from Paris, to escape wartime bombs and reduce labor radicalism.

PARIS (Special Correspondence) — France is methodically moving some of its principal industries away from Paris—especially those that will supply military necessities in wartime.

There are 2 reasons: Paris is too near Germany, and thus the industries in Paris and its suburbs will be most exposed to attack; and the radical influ-

ence in Paris is generally stronger than elsewhere.

The aviation manufacturers are the first to begin this migration. They include Bréguet, which moved to Nantes (pop. 170,000), the main city of Brittany, the northwestern peninsula; Hanriot, moving to Bourges, a town of about 36,000, in the central part of the coun-

try; and Lioré et Olivier, which moved to Rochefort (a town of western France, pop. 27,000), where they have taken over the former government arsenal.

Other firms working for the national defense are preparing to move. The firm starts a branch in the new area and then builds it up, with the intention of moving most or all of the business eventually. Only a few thousand workers are employed in such plants so far, but the effort is gaining impetus.

Stick Close to Paris

Paris, with its suburbs, has a population of nearly 5 million. In many ways it provides facilities which industries need. When industries are half forced, half coaxed out of Paris by government pressure, they try to establish themselves anew as near Paris as possible. Generally they favor the region of the Loire, the longest river of France, which at one point is only about 70 miles from Paris.

The new industrial area is generally south of the Loire, except that it includes Brittany, where there is very little industry. However, the precise boundaries are considered more or less confidential. After a number of industries have settled near the northern edge of the new area, the government will probably take fresh measures to make the late-comers move still farther south.

To encourage this migration, the government has appropriated 4 or 5 million francs (the exact amount has not been published). An appropriation many times as large as this will be needed if the plan is carried out completely.

Moreover, the government is pointing to certain savings that can be made by moving, and is encouraging new ones. Unskilled labor receives 2.50 fr. per hour in the provinces, 4 fr. or more in Paris; skilled labor for machine-tool work gets 3.50 in the provinces, 5.50 in Paris. (The franc is worth 6.63¢.)

Power Rate Savings

Besides, there is the saving in electrical rates. These vary widely from one district to another. Industries are encouraged to move into the most economical areas; and the electrical companies in the south and west are told that they can get more industrial customers by reducing their rates.

Although radicalism is by no means confined to Paris, as the recent rioting in Brest, Toulon, and other cities proved, nevertheless the vast industrial population of Paris is regarded as containing far too many radicals for the peace of mind of the government.

The new policy will distribute labor. It will also reduce labor costs, and the burdens of municipal taxes which the industries must bear. And if the industries are widely dispersed, they cannot be put out of action by concentrated bombing operations, as they might be in the Paris area.

Business Abroad

Italo-Ethiopian war preparations spur industries that produce military goods, but cast general shadow on business outlook. Germany might demand colonies. U. S. Treasury supports silver after Bombay panic.

COLLAPSE of the Paris 3-power conference over Ethiopia brought war one step nearer reality. Fears of and preparations for hostilities distort normal business throughout the eastern hemisphere, spurring activity in war supply industries that long since hit capacity operations, restricting optimism bred of the modest and spotty improvement that business has registered. Potential belligerents note Italy's dwindling gold reserves, Ethiopia's paralyzed trade, the frantic search of both for credit—and dread the possibility of their own involvement. Britain feels that an outbreak in Africa would bring new demands from Germany, possibly for a return of her colonies or for an Austrian plebiscite.

Only unstinted support by the United States Treasury prevented a silver market débâcle on bad news from Bombay. Our dollars poured out for silver purchases to help sustain values of foreign currencies, many of which are under fresh pressure due to the war scare.

Great Britain

Stocks and new issues flourish despite war clouds now shadowing high hopes for full upturn.

LONDON (Cable)—War clouds and the war scare notwithstanding, stock market and new capital issues continue booming, getting fresh impetus from the brightening up of Wall Street. Leading British industrial issues, notably those benefiting from rearmament programs and transit electrification, are spearpoints in the price advance. However, concern is now being expressed that war fears, creating new problems

for gold bloc, may drive investment funds to New York.

The government's barriers to capital exports did not preclude repatriation of American holdings in General Electric Co., Ltd., it was noted pointedly in the City. That transaction, involving £1.2 millions, follows the pattern of the repurchase by British interests of Boots Pure Drug and points the way to other possible transactions of this nature, on the ground that British ownership, employing British labor, outweighs any objection to transfer of sterling.

As in the United States, the stock market's activities count in election results and it is possible that the present pickup may be one of the deciding factors to rush the general elections. Probable date now is during the November-January quarter with the National government's chances weaker, though still strong.

Opinion is overwhelming that the fall business upturn would be impressive if war could be averted but, with the Paris conference regarded as a complete fiasco, peace is considered very shaky. The National government's League policy, held responsible in part for failure to find common grounds for conversations with Italy, is also thought to have harmed Anglo-French relationships unnecessarily.

The steady rise in retail sales figures since October, 1933, has been a most cheerful feature. The business community is looking ahead to important mercantile changes if prosperity continues. More cheap-price chain stores will be one result. At present Woolworth's, mark's, and Spencer's dominate the field, but Great Universal Stores, for years a mail order business, is now well along on its first group of 8 stores and other companies are projected.

This comparative vacuum in the British mercantile field has been one of the wonders of recent economic history. There is no doubt that big department stores, whose profits have been reflected in larger dividends payments this year, have benefited from recovering middle-class customers whom the slump sent to chains, but the spread of buying power among the working classes has more than compensated the chains for this loss of patronage.

Lancashire has the trade excited by announcement of a new textile process by which velvet can be waterproofed. It is expected that making velvet, formerly regarded a luxury fabric, suitable for outdoor wear, will add a broad market.

Germany

Schacht fights extremists on Jewish question, charging business is damaged. Interest may be paid to Americans on Dawes, Young loans.

BERLIN (Wireless)—The speech of Dr. Schacht, Minister of Economics and president of the Reichsbank, opposing extra-legal measures against the Jews, is indicative of the growing tension between the conservative and radical wings of the Nazi government.

Schacht warns that he will hold the extremists (led by Goebbels, Streicher, etc.) responsible if their terroristic campaign wrecks his economic policy. He declares that, under the law, "Jewish business men can still conduct their



BEASTS OF BATTLE—Back in 1924, Benito Mussolini's pet lion (left) was only a cub. Now it's had time to grow up—big enough at least so Mussolini figures he can tackle the Lion

of Judah. And Haile Selassie's favorite (center, with guard) is ready for the fray. Meanwhile Premier Goering keeps his lion in waiting—just on the off chance it might be useful.

activities; it is a matter for the Reich government to decide whether and when restrictions shall be made."

Two days after his speech there was a cabinet conference at which Schacht presented the draft of a law to fix the status of Jews. Although not disputing the Nazi doctrine which deprives Jews of citizenship and officially degrades them, he declares that the **uncertainty** regarding their status prevents them from doing business and thus is **unsettling** the national economy.

The proposed law will be submitted to Hitler, who will be under pressure from his closest Nazi comrades not to accept it, as they want to continue the campaign of terrorism until the Jews are somehow forced out of Germany, leaving all their property behind.

If Schacht wins, he may be given the combined ministries of Economics, Agriculture, and Labor. If he loses, his present position may be insecure.

Consumer Goods Lag

Although the capital goods industries have maintained a high level of production during the past few months, by reason of governmental spending, consumers' goods are showing but slight signs of a fall seasonal upswing. The intensified boycott of Jewish business in Germany has caused serious internal dislocations of trade. The shoe industry, for instance, complains of cancellation of orders for fall delivery by Jewish retailers.

German imports in July, amounting to 330,500,000 marks, increased 4% over June, while exports were 359 million marks, an increase of 12.9%. But this export surplus of 28.5 million marks was due to seasonal influences, and the increased exports are therefore no sign of a fundamental improvement.

Schacht's growing concern about German exports to the United States, after the termination of the most-favored-nation clause Oct. 15, may lead to concessions in the payment of interest on the Dawes and Young loans, in order to placate American public opinion. Ambassador Dodd has protested that the German government discriminates against American holders of these obligations, in favor of other nationals.

France

Interest rates are cut to force rentes to par, as Laval seeks to expand volume of credit. Charles Rist heads tariff committee.

PARIS (*Wireless*)—Through reductions of interest rates, the rentes are to be forced up. The Laval government, as part of its recovery program, will use all its powers to bring the rentes to or above par, in order to attempt a conversion of a large part of the internal public debt and to procure a voluntary reduction in the interest paid on it.

Jean Tannery, governor of the Bank of France, declared last week that although the bank itself cannot reduce interest rates, its function being to record them, nevertheless it will do its

share by granting generous credit facilities. It will liberally discount wheat paper (presented by the agricultural credit banks), and Treasury bills.

The accommodation on wheat paper will provide cash for farmers who are now hard up. The discounting of Treasury bills will permit expansion of the volume of credit, as an offset to the deflation policy pursued by the government because of the budget deficit.

Credit inflation is supported by another cut, of $\frac{1}{2}\%$, in the discount rate of the Bank of France, bringing it down to 3%, which is $\frac{1}{2}\%$ above the rate that prevailed at the beginning of May, before the raid on the franc. Besides, the bank has reduced the rate for loans against securities to 4% (as against $4\frac{1}{2}\%$ at the beginning of May). This is the lowest rate on security loans since 1912.

This drastic reduction is evidently intended to attract speculative buyers to the rentes, which now yield about 5%, so that the buyer automatically makes a profit of nearly 1% by buying rentes and putting them up as security with the Bank of France.

Stimulate Industry Loans

Moreover, when the government discounts Treasury bills at the bank at 3%, it will use some of the proceeds to purchase rentes, at 5%. The governmental purchases and the prodigiously low security-loan rate are counted on to force the rentes up. The interest reductions are also intended to spur private industry into borrowing money and making extensions to foster recovery.

Meat prices in most districts have been cut 10%, through governmental pressure. Reductions in 23 import quotas last week (*Blü*—Aug 17 '35) have been followed by the appointment

of a committee to recommend a complete revision of the tariff system. It is headed by Professor Charles Rist, honorary governor of the Bank of France.

Latin America

Low coffee prices trouble Brazil and Colombia. Panama makes treaty with United States. Cuba plans its own monetary system.

Low prices for coffee are intensifying fiscal and economic troubles in the important production areas, Brazil and Colombia.

Distress for the major Brazilian export product is spurring the development of cotton there, but cotton is far too unimportant as yet to overcome the country's difficulty. Colombia's problem is one of reduced foreign remittances and the consequent dearth of exchange rather than internal troubles.

Panama accepted 59¢ dollars, with adjustment for past-due payments, on canal rentals from the United States after long negotiations, receiving in turn a new general treaty granting it full independence from American interference in political affairs.

On the other hand, Panama has refused to accept blocked marks from Germany in payment for cotton. These so-called "coffee marks," good only in payment for German goods, have flooded most of the Latin-American countries and are selling at discounts up to 40% enough to bring the cost of German goods down to a competitive basis with Japanese products.

Cuba's plans to establish its own monetary system have progressed to the



MULTI-TICKET MACHINE—Recently installed at a London railway station, this automatic machine can issue railway tickets for 500 different stations. The clerk merely sets the index needle, pulls a lever, and out comes the freshly-printed ticket—numbered, dated, and priced. It also tabulates total receipts.



LONDON BUYS EMPIRE—Fleet Street, center of London's newspaper business, is being repaved, and all materials are Empire-produced. Wooden blocks come from British Columbia; asphalt, formerly from Norway, is bought from Trinidad.

point of a tentative program, hinged on substitution of a national paper currency for the silver pesos and United States dollars that now provide the circulating medium.

There are 38 million Cuban silver pesos, 10 million of which are in the Treasury. Melted into bullion this would represent about \$19 millions for a metallic reserve. Besides there are some \$25 millions of United States currency in Cuba which the government would try to get exchanged for its new notes. This, added to the bullion reserve, plus small gold stocks, would total more than \$45 millions. It would be deposited in the United States to support possibly \$90 millions in currency.

Canada

Business is irked by election delay. Tariff war with Japan hits British Columbian lumber.

OTTAWA—Postponement of the federal election from Sept. 30 to Oct. 14, because Bennett found the election machinery couldn't be ready for the original date, annoys Canadian business by prolonging the period of disturbance caused by election uncertainties.

Pre-election cabinet reorganization is practically complete. Bennett has been unable so far to secure a sufficiently strong man for the portfolio of finance and Rhodes, who resigned the post to enter the Senate, will carry on, probably till the election.

Bennett will not begin his campaign

addresses until the end of the first week in September, when he opens a series of countrywide broadcasts. A principal plank in his platform probably will be revision of the constitution to give the federal government more authority for its business reform program. Both Liberal leader Mackenzie King and Stevens are fighting shy of proposing that provinces surrender constitutional jurisdiction. Bennett is also considering a plan for railway economy which might become a leading election issue.

Raps Empire Pacts

Campaigning in Ontario, Mackenzie King has been condemning Bennett's 1932 Empire trade pacts on the ground the Empire preferences were granted by means of raising general tariffs against foreign countries. King recalls that at the Ottawa Conference in '32 Stanley Baldwin preferred the method of lowering inter-Empire tariffs and promises to propose revision of Empire pacts along that line if the Liberals return to office.

King also proposes revision of the federal marketing act to remove compulsory features. Under the act, local boards are given powers affecting trade which may be extended to all producers of the commodity affected whether they favor the act or not.

The Pacific Coast reports a monthly sales loss of 7 million ft. of British Columbian lumber through the Canadian-Japanese tariff war. Business has gone to the United States and 1,500 Canadians in the woods and mills go on the unemployed lists.

By a regulation just passed the government has extended application of

the new federal housing scheme so that a \$5,000 house may be built with an initial capital of \$1,000, the balance being spread over 20 years with monthly payments of \$26.40. The government will loan 20% of total cost at 3% interest provided loan companies put up 60% at 5% interest. Both the government and the loan companies will take first mortgages in security.

Far East

Silver slump causes Bombay panic; U. S. stabilizes cash prices. Australia seeks market here.

A DEFERRED explosion of the artificial situation in silver sent the Bombay market into panic this week, with failure for an important metal broker and repercussions throughout the market community.

World reactions were minimized by the stability of London cash prices for silver. This was authoritatively attributed to the steady absorption of all spot silver by agents for the United States Treasury. But the refusal of our Treasury to go into futures left option trading practically paralyzed, and forward prices went to a discount of more than 1¢, whereas a short time back a premium was customary.

Rely on American Aid

Heavy speculative buying from Indian sources, apparent in the earlier price rise and the growing silver stocks in Bombay, was patently inspired by confidence that the United States would persist in its price-raising tactics. Indian operators expected \$1.29 per oz., just as Washington representatives of the silver-producing areas did.

China is reported to be experiencing renewed difficulties from the reversed trend in silver prices, after having partially adjusted her situation to the rising trend. However, Washington's emissary extraordinary to the Orient, James A. Moffett, returned this week with a different story. The raising and subsequent stabilization of silver prices have definitely helped China, he reported. He found China better off than a year ago, prosperous in many parts. Shanghai presents a contrast because of a busted real estate boom.

Australia Seeks Markets

Spurred on by trade gains in the past year, Australia is extending her market development program aggressively. The Minister of Trade, Sir Henry Gullett, is now in Europe trying to sell more wool, and soon a mission will visit the United States, where it is hoped to open an outlet for wines.

In part the campaign is a counter-move to the terrific pressure other nations have put upon Australia to buy more from them. With the exception of the United States and Canada, Australia has an export surplus in trade with the rest of the world, and part of the problem has been to impress upon those others that the mercantile surplus is imperative to balance the Commonwealth's heavy debt-service transfers.

Money and the Markets

Finance dislikes some last-minute legislation, but is cheered up by prospect of not having Congress around. There are increasing signs of better business in fall. Silver markets settle down. Consumers worry AAA.

WITH Congress letting out its final yelps, the financial community this week was worried for fear a last-minute mēlée would send distasteful legislation through the mill, and at the same time was cheered by the prospect of a period free from the hamstringing of constant political shocks. For the most part the latter prospect was the main influence, supported by the trend toward expanding fall business which is daily being intensified.

Business and markets alike are ready for more activity. Investment money is itching for a chance to move into commercial action, since it has reached a point in the security markets where returns are too low and indigestion is apparent. Both the new-capital market and the trading markets in high grade securities have illustrated this condition for the greater part of the month.

Foreign Factors Make Trouble

Factors having a foreign origin are currently unsettling in contrast with the calm, upward movement among domestic business and financial components. Ethiopia is bothering the world a great deal. Italy's last financial statement disclosed another heavy loss of gold. European security and exchange markets clearly express nervousness over possible political reactions to the impasse between Italy and Ethiopia.

Silver markets have settled down after last week's shakeup, with the United States Treasury spending about \$16 millions a day to keep the price steady. But the distress that developed in Bombay did not help matters (page 27).

Agriculture is still afflicted with the

uncertainty of AAA, and although aggregate internal revenue collections in July were \$41 millions larger than last July, processing taxes collected were \$15 millions under June and \$28 millions under last July. Cash income of farmers during the month was slightly above June but \$61 millions below last July.

Consumers' strikes against high meat prices resulted in a sharp drop in pork and lard prices. Agriculture is rather well off, on the average, but the consumer irritation concerning meat prices and the political pressure for practical gift-support of cotton farmers are worrying the AAA.

Government Issues Not Doing So Well

GOVERNMENT securities recently have had fully as much trouble as any other broad division of the markets. The investment trade was a little upset to find that the Treasury had bought about 4 times as many of its own obligations in July as it had in June. The inference was that the Treasury had contributed somewhat to maintaining government securities at stiff prices.

The enlarged purchases were rather easily explained by the Secretary's pointing out that banks are getting rid of postal savings deposits because the required 2½% interest is too high under present conditions of earnings, and the Treasury is using the ousted funds to buy its own bonds.

Another moderately adverse influence was the relatively poor showing made last week by the Treasury's offer-

ing of \$100 millions more of the 2½% auction. The volume of subscription for this offering, which was the first one for August, was sharply lower than prior offerings have drawn. Prices were not as good as have hitherto been seen when the Treasury has had \$2½s on the market. Bids averaged out definitely below the prevailing market price.

Municipals Overtop Private Offerings

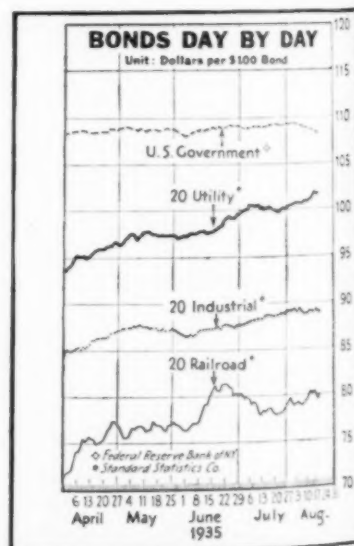
ANNUAL offerings in the new-capital market continue fairly meager, with most of the action this week seen in municipals. Underwriting groups offered issues of \$9 millions of Tennessee and \$2 millions of City of Grand Rapids, Mich., serial bonds, and in both cases yields on the offering prices ranged from slightly under to slightly over 3%. Recent instances of stickiness in flotation of corporate bonds are accounted for the lack of activity in this field at present.

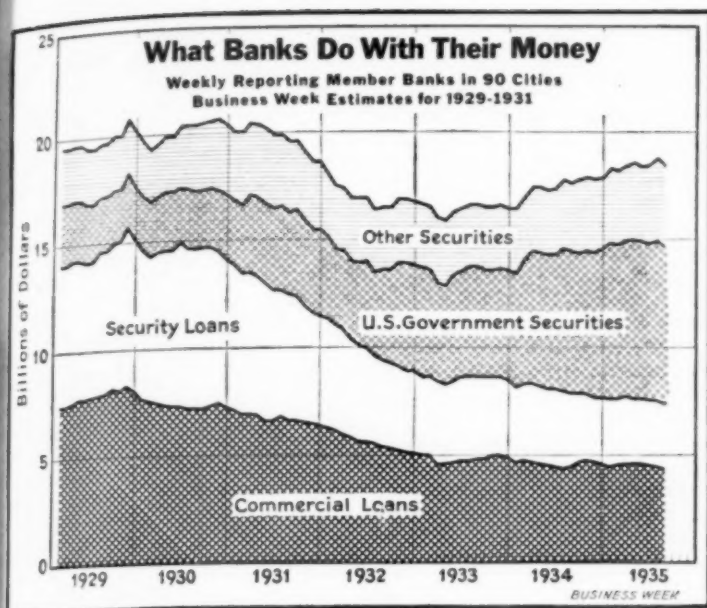
However, there is plenty of discussion concerning possible new issues in early fall. Anaconda is prominent in these talks. It is believed that the copper company, with better earnings behind it and a strong metal situation prevailing, will consider funding the larger part of \$59 millions of new loans.

Also Southern California Edison and Pacific Lighting Corp., large Western utility companies, could announce new fundings that would make a sizable total. Including possible action by 3 companies (Standard of New York, Shell Union, and Consolidated Oil), the amount in the wind is well over \$200 millions.

Stocks in 5th Month Of Cautious Advance

THE slight shudder that passed over the security markets when the last minute Congressional rush began to look scary and when the Ethiopian scene began to





crack open again, was scarcely to be considered serious. Minor erraticisms cannot at this stage obscure the fact that the market background has been splendid for a long time.

Last week the market entered its fifth month of advance, extending the broad upward movement that began in March to proportions that brand it the best of the 3 major advances since the 1932 crash.

This accomplishment is to be particularly admired in view of the consistent absence of any great amount of speculative activity. Trading volume has been running at a low rate throughout the 5-month period. Even recent active sessions are nothing compared to the trading volume that accompanied the last prior upward sweep in 1933.

Copper Spurts Up; Grains Are Cheered

COPPER was the prominent spot among commodities. Domestic trade on the first day of the week was at the highest level recorded since official figures, inaugurated June, 1934, have been kept, and under this heavy volume domestic prices were advanced $\frac{1}{8}$ ¢ per lb. to the best level since the 9¢ price collapsed after NRA was entombed.

There was a large amount of export business at firming prices, with a certain degree of war flavor apparent in the market activity. But the war influence by no means accounts for the entire development. The statistical position of copper has been a pronounced factor. World supplies went to a new low for the year at the end of July, and consumption for the month outran production by 10,000 tons.

Grain markets were spurred by the report of Bernard W. Snow, Chicago crop expert, who issued a special mid-month report indicating a drop in probable spring wheat production of 30 million bu. from the governmental Aug. 1 figure. It is being generally conceded

now that the United States will continue on a domestic basis in wheat this season, with a fair chance of reducing the 1935 carryover of 150 million bu. to a figure around 100 million bu. by mid-1936.

The Northwest is buying substantial quantities of Canadian wheat in order to secure good milling grades. Prolongation of this activity could change the outlook, but if purchases from Canada are kept within limits of 50 million bu., the United States can come through this season with the wheat problem nicely tamed.

Banks Greatly Improved

FDIC, in its annual report to Congress, disclosed a vast improvement in the nation's banks in 1934. Deposits in insured banks jumped \$7.7 billions, a recovery of about half the loss of the preceding 3 years, while total assets of licensed commercial banks increased \$7 billions. At the same time, doubtful and worthless assets were reduced in percentage from 10.5 to 6.5.

Leo T. Crowley, chairman of the FDIC, was not overly sanguine, however. He explained in the report that there are still at least 968 banks in the insurance corporation whose ratio of sound capital to deposits fails to meet the FDIC safety standards. Also there is a deplorable tendency among banking depositors to cease worrying about banking practices in their communities, since the feeling has grown that local losses will be cared for by the insurance and the cost spread over the entire banking system.

The FDIC chairman appears to be uncomfortable about this tendency to lean on the FDIC. In a long tabulation the report reveals that had FDIC been in existence since 1865, it would have lost money on its working basis of 1/12% levies on deposits, because losses since 1865 which FDIC would have covered amounted to 1%.

No. 1 Sugar Is No Dice

TRADING in the September number 1 contract of sugar futures on the New York Coffee and Sugar Exchange came to an abrupt end this week when a special committee ruled that the game was over and that all open commitments were to be liquidated at 2.58¢ per lb. The reason was not hard to find. There was simply no sugar available for delivery on that contract.

The number 1 type calls for delivery of Cuban raw sugar in bond here but with duty unpaid. With announcement from the AAA that the Cuban quota had been filled, it became apparent immediately that there was no Cuban sugar left on which duty had not been paid, that sellers of the September number 1 would be unable to produce sugar to tender for delivery, and that if the market were left to itself the shorts were definitely trapped with no exit. Hence the committee shut off trading, obviating a duplication of the squeeze that occurred last December. In the raw sugar market, prices hit a 7-year high.

Unless the AAA enlarges the Cuban quota in view of increased American consumption this year, Cuba is through selling us sugar until 1936, and the December futures contract will be in the same impossible fix. There is one other alternative. If the Supreme Court abolishes the AAA before the end of the year, sugar quotas will vanish and the market will be thrown open.

Raskob Strikes Back

A POINT was scored against SEC this week. It is the commission's rule that changes in stock holdings of corporation executives in their own companies be reported monthly. Results are broadcast publicly. It has been contended right along by SEC critics that this was one of the regulations that could cause misunderstanding and trouble. This week an instance was disclosed.

John J. Raskob, director of General Motors and vice-president of duPont, among other things, reported an increase of 16,000 shares in his General Motors holdings during June. On Aug. 5, General Motors doubled its dividend and paid an extra. Immediately there was critical comment throughout the country on the acquisition of a company's shares by a director shortly preceding a favorable action which raised the market and income values of the stock.

This week Raskob answered the implied criticism in an open letter to the SEC and the New York Stock Exchange. He pointed out that 10,000 shares of his increase represented a liquidating dividend from another corporation and involved no new ownership on his part, also that the other 6,000 shares had been acquired on a contract that had been in force 3 years and under which he was obliged to take the stock at higher than the current market price.

Thus, he stated emphatically, the impression that he had scalped a profit on his inside information was groundless.

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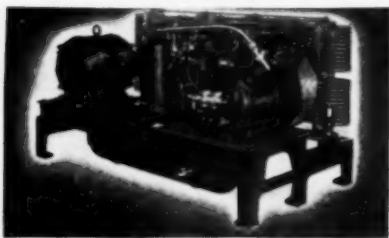
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Chicago Climbs Out

Plans for unsnarling the debt tangle of 6 Cook County corporations get under way.

CHICAGO and Cook County have started work on unsnarling their debt situation which, now that Detroit and Arkansas have cleared their defaults, is the last big blot on the municipal credit record.

Under authority of new refunding laws, the 400 separate taxing bodies which give Cook County its peculiar financial complexity are spitting out refinancing plans with all speed. The urgency arises from a desire (1) to correct defaults as quickly as possible, and (2) to postpone future maturities so that taxes over the next 6 years will not have to pay 58% of the outstanding bonds, as would be the case should they go to maturity as now scheduled.

Cook County, which is mostly Chicago, does not have the worst debt situation in the world (Chicago's per capita debt is only \$135, less than two-thirds that of Philadelphia, New York, or Detroit) but there is an amazing overlapping. For example, city property is taxed to support 6 major municipal corporations, 1 of which represents the consolidation of 22 formerly independent park districts. Each of them piled up debts without taking note of how other obligations were falling due, and all of them were put 2 years behind on collections by a reassessment in 1928. In an attempt to catch up, the collector is sending out bills every 10 months, and unless due dates on bonds are set ahead, he will have to collect \$75 millions on each levy to pay off debts.

Getting in Anyway

Chicago corporate and its Board of Education are the only major units without default, but they have joined the refunding parade anyway in order to date ahead some \$16 millions due next January. Otherwise, that amount would have to be added to the 1934 tax levy which will be spread next month. Both have sold their refunding bonds, incidentally at new record low interest rates, but the proceeds will be escrowed until January in each case. Hence, they pay double interest for 4 months to lighten the tax bill that will be collected before the money is needed.

The really big job is that of the Sanitary District, which has started refunding \$140 millions, \$16 millions of which is in default. Its program calls for extending the unmatured portion of its debt 20 years and providing either cash or new 4% 20-year bonds in exchange for past due obligations. Well over half the outstanding bonds have been surrendered under the plan, but this includes \$41 millions PWA bonds lined up beforehand.

Other divisions are following the style

of the Sanitary District's scheme but are not getting along so well. The County and Forest Preserve District has similar plans, but the county board accepted a variation proposed by one group of bankers for \$58 millions of future maturities and \$10 millions of defaulted obligations only to meet a vote from the board president. Now there is question whether another plan can be arranged before the new taxes are spread.

Refinancing of the Consolidated Park District is definitely postponed until the Supreme Court can pass upon the new legislation which the District intends to use. The new \$1-a-year board of commissioners, headed by ex-packer Robert J. Dunham, needed new laws to validate its operations in straightening out the involvements—even some irregularities—of the old political commissions which it succeeds. If and when it gets a favorable decision, it will start to work on \$117 millions of old park debt, including \$15 millions defaults and \$5 millions floating debt. Tentative plans follow the Sanitary District pattern.

Banks' Competitor

Government should chase postal savers back home, bankers say.

THE postal savings system pays 2% on deposits, has 2½ million depositors, most of whom opened accounts during bank panic times, and neglected to switch back to commercial institutions when bank troubles ended. The reason is, the bankers suspect, that commercial banks can't offer any attractions. Majority of private banks can pay only 2% or 2½% on small time deposits.

A good correction, bankers now say, would be a drastic cut in postal savings interest rates, which would send some postal deposits back to commercial banks. The amount involved is decidedly respectable. Postal had deposits of only \$175 millions in 1930. At the end of the 1934-35 fiscal year they stood at \$1,205 millions.

The fundamental idea of postal savings was to take care of an extremely cautious minority of people with small amounts who didn't trust banks. On this basis, postal always put its money back into commercial channels quickly, taking 2½% from banks and paying depositors 2%.

This hasn't worked out in recent months. Banks can't pay 2½% on the postal deposits; consequently postal has been putting more and more of its funds into government bonds.

Incidentally, the reason for postal savings is largely over now that the government and FDIC stand behind bank accounts up to double the \$2,500 limit of postal.

Editorially Speaking—

WILL ROGERS and Wiley Post were flying in Alaska. President Sidney R. Kent of the Fox Film Corp. was addressing the stockholders' meeting in New York. He said, "We pay Will Rogers \$8,000 a week and make money out of him." A few hours later, on that same day, Will Rogers was dead.

He may or may not have been aware that that was the day of the stockholders' meeting. He had a great deal of business sense and was able to carry many sorts of things in his head at the same time. He was singularly versatile—an actor on the stage, in the movies, and on the radio; a public speaker; a writer; and in everything a man of shrewdness and wit.

One quality he and Wiley Post had in common. It was the restless, adventurous spirit of the pioneer. Wiley Post flying with all speed around the world, once with a partner, once alone, and afterwards trying to explore the sub-stratosphere; Will Rogers roaming as a youth to South Africa, a land of which most Americans know next to nothing, and in his later years flying into one country after another, and reporting his observations in terse, salty phrases—these two men were the embodiment of the pioneer spirit, seeking new tasks at a time when the obstacles of the early pioneers had been overcome. Their conjoined deaths were a shock; but that they should have died together, in an airplane at the end of civilization, is not wholly inappropriate. It symbolized their restless and searching lives.

No, Governor Davey of Ohio was not protecting the national Administration by refusing to let a congressional vacancy in Ohio be filled through a special election in the near future. No, he was not afraid of a Republican victory, which would rock the prestige of the Administration. No, he said in Washington, no, nothing of the sort; he was not carrying out Administration orders. That day he received President Roosevelt's written approval of a \$20-million PWA program for Ohio.

CERTAIN groups of counties in the old Cotton Belt, the southern Appalachians, the Great Plains, and the cutover country of the Great Lakes states are unable to support their population. That's the conclusion of a group of research workers who have made an investigation under the auspices of the Wharton School of Finance and Commerce of the University of Pennsylvania. But these very submarginal counties are the ones that a lot of people have moved to after losing their jobs.

A couple of generations ago they'd

have gone west to take up good farming land in the public domain; but in this depression they've moved to rural slums. Unless got out of there somehow, they will have to receive government aid continually.

"MACAULAY, IN 1857, FORESAW DEPRESSION." Interesting if true. But what Macaulay really foresaw, as the paragraphs under the above headline reveal, was that in New England "hundreds and thousands of artisans will sometimes be out of work." Not much foresight required there. Macaulay at the same time expressed grave doubts about democracy. But the noble lord was always expressing grave doubts about democracy. Letters of his, singing that same old tune, are always being dug up and ponderously republished, as if they had some application to our newer, complex problems.

FROM East St. Louis, Ill., which is an international center of the horse and mule trade, come reports that Mussolini is trying to buy a couple of thousand American mules for service in Ethiopia, but that there aren't many mules in this country of the kind that Mussolini wants—"a short, sturdy, heavy-boned jack, able to carry heavy burdens over precarious mountain trails." Sounds like a description of the average Italian citizen trying to carry the increasing load of national debt over the war hump.

IOWA legislators tried to help "the little fellow" by tossing special taxes on chains. So since July 1, when the tax went into effect, nearly every large oil company has gone out of the marketing business; and the American Petroleum Institute reports that 2,200 employees have lost their jobs. They're little fellows, surely. Apparently a legislature can't give a special favor to the little fellows in business for themselves, without doing a special injury to the little fellows who work for big companies.

A COTTON man from a cotton state—that's Albert Gaines Ouzts, a member of the South Carolina House of Representatives. Cotton hat, cotton underwear, cotton shirt, cotton suit, cotton socks—from head to foot he's dressed in cotton. His trousers are made of cotton grown on his family's farm and picked, carded, spun, and woven into cloth before the Civil War. In 1930 his wife made the cloth into a pair of trousers. His vest and his coat were worn by his father on his wedding day, in 1856. What was good enough for daddy is good enough for me.



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The New Banking Act

Mainly through the efforts of Senator Glass, the Eccles banking bill emerged from Congress so greatly modified that the good in it possibly outweighs the bad.

For 1936, it is not likely to produce any more important result than an extensive purchase of long-term government securities by the Federal Reserve banks, to replace some of their short-term paper. This would be a mildly inflationary move, in keeping with the general Administration program.

As for rediscount rates, it is possible that they will be further reduced; but they are already so low that any great reduction would wipe them out altogether; and anyhow the member banks are not doing much rediscounting. So any fresh liberalization of the rates would not make much difference.

In the long run, the chief result of the new banking act may be the increased power and independence of the Reserve Board. Hitherto it has consisted of 6 members, appointed for 12-year terms, and paid \$12,000 a year; and in addition the Secretary of the Treasury and the Comptroller of the Currency have been members ex-officio, speaking for the man in the White House. Under the new act, these 2 Administration representatives are excluded from the board. It will have 7 members, serving 14-year terms, paid \$15,000 a year, and ineligible for reappointment.

Thus an appreciable stride has been taken towards making the board what it ought to be—a thoroughly non-partisan body, serving the general interests of American business, and comparable in independence to the Supreme Court. This is the kind of board that the public welfare requires, all the more since the new banking act enhances the powers of the board at the expense of the regional and member banks.

The main new power of the board is in connection with purchases and sales of government securities in the open market. Hitherto the open-market policy, by means of which currency and credit can be increased or restricted, has been guided by a committee representing all the regional banks. But each bank has been free to disregard the given advice. Now the 7 members of the

Reserve Board, plus 5 representatives of the regional banks, will be authorized to fix a policy which all the banks must follow.

Concededly, this means more power for the government. But it is unlikely that the 7 board members, when unreappointable, will stick together in enforcing a harmful political policy against the united opposition of the banks. In practice, the 7-to-5 division of power is apt to produce co-operation, for the general good of American banking and all American business.

Prejudice And Sound Business

When government provides credit facilities that business needs, and does so on favorable terms, business ought to take advantage of the opportunity. The Federal Housing Administration recently provided such facilities. But the response of many business men has been curiously stubborn and shortsighted.

The New England Council has asked 187 New England machinery manufacturers their opinion of the FHA's modernization credit plan, under which banks or finance companies are authorized to make long-term loans for the modernization of buildings or equipment. There were only 25 answers. Very few manufacturers thought the plan would help their businesses. About a quarter of them were afraid that the loans would be hedged about with painful conditions, and that the borrower would be constantly subjected to governmental dictation. An equal number thought New England manufacturers should not even be encouraged to investigate the plan.

Such an attitude is cautious to the point of timidity. What harm can possibly result from investigating a governmental credit offer? There are altogether too many business men

who are letting their suspiciousness of the Administration lead them to irrational extremes.

The FHA offer is good business for the borrower. It is good business for the manufacturer who sells equipment to the borrower. It enables the borrower to modernize his plant, even by the purchase of movable equipment, without digging into his working capital.

The loan will be made by a bank or a finance company for a period up to 5 years, and will be gradually reduced by monthly payments. FHA never sees the borrower's credit statement and does not pass judgment on his standing; instead it accepts the judgment of the authorized lending agency, which has been guaranteed against loss to the extent of 20% on the total of such loans. Unless the borrower falls behind in his payments, he never has any contact with FHA.

Plainly such an arrangement is good for the bank, the borrower, and the seller of modernizing equipment. It deserves investigation, at least. Prejudice should not obstruct it.

AAA, Amended And Distended

Despite the new amendments enacted by Congress, or perhaps because of them, the AAA is still in a good deal of a mess. An attempt has been made to give it a face-lifting that would stand inspection by the Supreme Court, in the light of the NRA decision. Congress can't delegate legislative powers to the executive, said the court. So now Congress has adopted an ingenious subterfuge to get around this ruling. But under the new amendments, the Secretary of Agriculture would still be regulating production within the states; and the court has ruled that the federal government can't do that. Hence the AAA awaits the court's inspection with many a tremor.

Besides, the provisions about suits to recover illegal processing taxes are vaguely worded. And the new control of the potato crop will run into many obstacles. The longer the AAA holds on, the bigger it gets, with a bloated, clumsy bigness; and with every bulbous addition to its weight, the more agonizing grows the job which it is sincerely trying to do.

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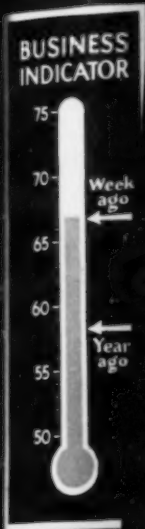
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